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University of Cincinnati
JAN 17 1985
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Prepared for the Foreign and Commonwealth Office by the Central Office of Information and published by Her Majesty's Stationery Office, London

Annual subscription including postage and index £21

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GOVERNMENT AND ADMINISTRATION

The Royal Succession

The order of succession to the throne has been changed by the birth of the second child of the Prince and Princess of Wales.

A second son was born to the Prince and Princess of Wales on 15 September. He will be third in line of succession to the throne after his father and his brother, Prince William of Wales, who was born on 21 June 1982. He is to be named Henry Charles Albert David. Prince Henry is the Queen's fourth grandchild.

Ministerial Changes

A number of appointments to vacancies among the Government Whips have been announced. These complete the latest round of ministerial appointments (see pp 343–4).

Lords Commissioners of the Treasury (Government Whips in the House of Commons)

Hon Archibald Hamilton, MP (former Assistant Whip)

Mr John Major, MP (former Assistant Whip)

Assistant Whips in the House of Commons

Mr Anthony Durant, MP

Mr Peter Lloyd, MP

Hon Mark Lennox-Boyd, MP

Lord in Waiting (Government Whip in the House of Lords)

Lord Brabazon of Tara

The vacancies among the Whips in the House of Commons were created by the appointment of Mr Alastair Goodlad and Mr David Hunt as Parliamentary Under-Secretaries of State in the Department of Energy and by the resignation of the Hon Douglas Hogg. The post of Lord in Waiting was made vacant by the appointment of Lord Lucas of Chilworth as Parliamentary Under-Secretary of State in the Department of Trade and Industry.

The Rt Hon David Young, who received a life peerage on his appointment as Minister without Portfolio, will be known as Lord Young of Graffham.

IRA Terrorist Attack on Government

The explosion of an IRA bomb during the Conservative Party Conference at Brighton has killed four people, including a Member of Parliament and the wife of a Member, and seriously injured two government ministers. In her address to the party at the close of the conference the Prime Minister said that all attempts to destroy democracy by terrorism would fail. The security implications were referred to in a statement on the bombing to the House of Lords by Lord Whitelaw.

A bomb exploded at 2.54 am on the morning of Friday 12 October at the Grand Hotel, Brighton, where the Prime Minister, Mrs Margaret Thatcher, and other members of the Cabinet were staying during the Conservative Party's annual conference. Among the four people killed were Sir Anthony Berry, Member of Parliament for Enfield, Southgate, and Mrs Roberta Wakeham, wife of Mr John Wakeham, Member of Parliament for Colchester South and Maldon who is the Government Chief Whip. Some 30 people were injured; among those seriously hurt were the Secretary of State for Trade and Industry, Mr Norman Tebbit, his wife, and Mr John Wakeham. Later in the morning the Provisional IRA admitted responsibility for the bombing. The explosion is thought to have been caused by a 20lb bomb triggered by a timing device. In her speech to the conference later in the day the Prime Minister said that the bomb attack was an attempt to cripple the democratically elected Government. All attempts to destroy democracy by terrorism would fail.

The attack was condemned by leaders of the Opposition parties in Britain and by world leaders including Dr Garret FitzGerald, Prime Minister of the Irish Republic. Dr FitzGerald said that the outrage was directed not only at human lives but at democratic institutions. It made Anglo-Irish co-operation more necessary than ever before.

In a statement to the House of Lords when it reassembled on 16 October after the summer recess (*Hansard* (*HL*), Vol 455, No 170, cols 884–8), the Lord President of the Council, Lord Whitelaw, said that there had naturally been much discussion about security arrangements at the

time of the explosion and a police inquiry was being carried out. His view was that total, impregnable security was not compatible with a free society. The search for improvements in security arrangements must continue but without calling into question the basis upon which public life was conducted. However, the circumstances of this outrage were being studied with meticulous care and the security implications were being explored to the full.

EXTERNAL AFFAIRS AND DEFENCE

British Foreign Policy

Addressing the United Nations General Assembly on 26 September, Britain's Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe, suggested that none of the world's economic and political problems was insoluble provided that there existed the political will to work for, and build upon, practical agreements in pursuit of realistic objectives. Britain's agreement with the People's Republic of China over Hong Kong and the process by which it was achieved illustrated the way in which seemingly intractable problems were susceptible to treatment.

International Economic Issues

This practical approach, Sir Geoffrey said, was particularly important for dealing with the world's economic problems, and had been used to good effect at the economic summit in London in June (see pp 217-20), where the seven industrialised countries had been able to reach a large measure of agreement on the essentials for world recovery, at the same time taking real account of the difficulties which many countries still faced. Despite these difficulties, however, the last 12 months had brought substantial improvements and this year the International Monetary Fund (IMF) had forecast growth in world trade of 8·5 per cent. For many developing countries, too, the outlook had improved and was improving further; the current account deficit of the non-oil developing countries this year was expected to be less than half its 1981 level, and the growth rate for developing countries this year was expected to reach 3·7 per cent. This improvement, however, had not been achieved without hardship.

Sir Geoffrey paid tribute to the successful adjustment policies pursued by many developing countries. These needed to be sustained and more widely adopted if the problem of international indebtedness was to be controlled; they also needed the full support of the industrialised countries.

Observing that the current size of the United States budget deficit, and the high interest rates that went with it, still posed a threat to world recovery, Sir Geoffrey said Britain welcomed the United States Administration's recognition of the need to tackle the problem and hoped that this would be sustained and carried into action. 'Lower world interest rates would benefit us all. They would ease the burden of debt repayment. That in turn would allow many countries to increase their imports. And a general increase in trade is in everybody's interest.'

Britain was determined to work in close co-operation with debtor nations, case by case, to achieve mutually acceptable solutions to their difficulties, and had put forward a number of proposals for practical measures, which had been discussed at the London economic summit and described by the Chancellor of the Exchequer, Mr Nigel Lawson, at the IMF meeting in Washington on 25 September (see p 377). They included proposals for the use of multi-year rescheduling; for an enhanced role for the World Bank and its associates; for more private investment in debtor countries; and for more stable long-term finance. The fact that the resources available to the International Development Association had not been increased as Britain had hoped (see p 300) made it all the more important to undertake a special effort to help the poorest countries, above all in Africa, where special measures were needed for special conditions. The greatest contribution to helping debtor countries, however, would come from sustained and widening recovery, and the industrialised countries had a special responsibility for promoting this, by fighting to resist and reduce protectionism, and by reviving world trade through open markets. Here, too, given the crucial importance of the dollar exchange rate and of interest rates, the United States had a unique part to play.

Sir Geoffrey stressed that there were no instant solutions. 'The need is for common determination to work for solid, often unspectacular, progress on all fronts. Solutions . . . need to be rooted firmly in political reality if they are to endure. I am encouraged by the fact that governments have been willing to identify practical steps that they can and will take together. That is the main reason why prospects for the world economy are better now than they were a year or two ago.'

East-West Relations

The approach that was working in the economic field – practical measures to solve real problems – applied equally, Sir Geoffrey went on, to political relations between states, and most urgently in East-West relations, where there had not been anything like the same meeting of minds as there had been on economic questions. President Reagan had recently put forward a series of

proposals[1] that could lead to a fresh start and to progress in disarmament and arms control. 'We must all reject the temptation to identify difficulties with that approach and instead identify the ideas with which we can agree.'

Referring to his four meetings during the past year with the Soviet Foreign Minister, Mr Andrei Gromyko (see pp 252-4), Sir Geoffrey said he had been struck on each occasion by the similarity of what both East and West said were the basic aims of their peoples: the desire to break the spiral of the arms race and the shared aim of better East-West relations. What separated both sides was not so much the words they used as the meaning attached to them. 'Our task must be to bridge that gap, to reconcile, in a spirit of mutual understanding, our differing purposes with our underlying interest in our common safety and security.' Each side had proclaimed its desire for a more comprehensive dialogue. 'I refuse to believe that that cannot be achieved. I believe we can find a common way of resolving such issues of supreme importance to us all.'

During 1984 the West had made far-reaching but practical proposals in every arms control negotiation: at Stockholm, it had tabled specific measures which would enhance confidence and security throughout Europe (see pp 48-9); at Vienna, it had made a major new proposal to resolve the long-standing disagreement over the level of Warsaw Pact forces (see p 206); and at Geneva, Britain had taken two initiatives on verification of a chemical weapons ban (see pp 79-80), while the United States had tabled a new draft treaty. Against that background, Britain deeply regretted the Soviet suspension of the nuclear arms talks (see pp 252-3). The whole world would applaud a positive Soviet response to the United States' offer to resume these talks anywhere, at any time, and without preconditions.

This applied also to the question of arms control in outer space. On 29 June the Soviet Union had proposed that talks should begin in Vienna in September. They had asked for a prompt response, and the United States had given one, constructively and seriously (see footnote, p 253). 'But so far the Russians seem to have been unable to take yes for an answer. Dialogue cannot be a one-way process: still less negotiations. No one can converse with an empty chair. I hope the Soviet Union will find the political will to take their places at the table. When they do, they will find the West ready and willing to talk.'

Hong Kong

The way in which difficult issues could be resolved had, continued Sir Geoffrey, been illustrated by the negotiations on the future of Hong Kong which the British and Chinese Governments had been conducting since 1982. The draft agreement initialled in Peking (see pp 368-74) by both Governments was a triumph of good sense, showing how, in the search for solutions to international problems, agreement was only possible with courage, imagination and political will on all sides. China's idea of one country, two systems was an example of such a positive approach.

Cyprus

Referring to Britain's special relationship with and close interest in Cyprus, Sir Geoffrey said he hoped that there, too, early progress might be seen in the continuing search for a solution. The United Nations Secretary-General's efforts to bring about a resumption of the intercommunal talks were the only means to the settlement of the wider problem and could not be allowed to fail. Britain stood ready to do all it could to assist him in his task.[1]

Middle East

The formation of a new Israeli Government,[2] Sir Geoffrey said, presented a new opportunity in the search for a solution to the Arab-Israel dispute. The outlines of a just settlement, which had to reconcile Israel's right to exist within secure and recognised borders and the Palestinians' right to self-determination, had been clear for many years (see pp 156-9, 1983). But the parties to the dispute had to have the political courage to take the necessary steps for peace which were now possible without anyone's security being endangered. The new Israeli Government could halt the policy of installing 'illegal settlements' in occupied territory, while the Arab countries and the Palestinians could formulate a realistic, and a common, negotiating stand before it was too late. The United State had a unique position of influence with parties on both sides of the dispute, and President Reagan [in his speech to the General Assembly on 24 September] had reaffirmed his commitment to his country's search for a just and lasting peace. Welcoming this, Britain and its European Community partners stood 'ready to help and to use our influence to work for the peace which has eluded us all for so long'.

In Lebanon, Sir Geoffrey continued, the efforts of the Lebanese Government to bring peace deserved the support of all. Recalling that the members of the European Community had called

[1]In his speech to the General Assembly on 24 September, the United States President, Mr Ronald Reagan, proposed that the United States and the Soviet Union should hold regular ministerial or cabinet-level meetings to discuss current issues and proposed the mutual exchange of outlines of five-year military plans for weapons development and schedules of intended procurement. President Reagan also proposed the exchange of United States and Soviet observers at military exercises and the mutual exchange of experts to measure directly the yields of tests of nuclear weapons, so enabling both countries to establish the basis for verification for effective limits on underground nuclear testing.

[1]Following a request from Britain, the United Nations Security Council met in November 1983 and adopted a resolution deploring a Turkish Cypriot statement purporting to declare independence. The resolution further requested the Secretary-General to use his good offices to promote attempts to reach a solution to the Cyprus problem (see pp 422-5, 1983). In May 1984 the Council, supported by Britain, reiterated its call for all parties to support the Secretary-General's efforts. At a meeting with the President of Cyprus, Mr Spyros Kyprianou, on 24 September 1984, the Prime Minister, Mrs Margaret Thatcher, reaffirmed Britain's support for the Secretary-General's mission.

[2]The Israeli general election in July produced an indecisive result and after several weeks of discussion a coalition Government of National Unity was formed on 13 September.

consistently for the early withdrawal, in agreement with the Lebanese Government, of all foreign forces (see p 51), he said that in the Community's view national reconciliation and withdrawal of those forces should go together. At the same time, the 'useful role' performed in southern Lebanon by the United Nations Interim Force (UNIFIL) could with advantage be enlarged.

On the situation in the Gulf, Sir Geoffrey said Britain would continue to support any initiatives which offered hope of an end to the Iran-Iraq conflict (see pp 211-12). Britain had welcomed the decision to send a United Nations team to investigate allegations that chemical weapons had been used[1]; the British Government condemned unequivocally the use of such weapons by anyone. Britain was encouraged, too, that both sides were supporting the United Nations Secretary-General's appeal to avoid attacks on civilian population centres, and hoped that they would take further steps to limit the scope of the conflict, thus preparing the way for an honourable settlement of the dispute.

Southern Africa

In Southern Africa, too, Sir Geoffrey observed, failure to make progress towards solving disputes could have consequences far beyond the region itself. There had, however, been some progress towards reducing tension in the region, and Britain welcomed in particular the wide-ranging contacts between Mozambique and South Africa[2] following the Nkomati Accord (see p 82), and also the agreement on the withdrawal of South African forces from Southern Angola (see footnote, p 213). Britain would continue to work for further steps towards an early settlement of the Namibia question. There was also an urgent need for real progress towards a system of government in South Africa which would be supported by all South Africans.

Central America

Referring to Central America, Sir Geoffrey said that, although the roots of the conflict and political turmoil racking the region were indigenous, the problems had been 'exploited and exacerbated by those who care little for regional stability and democratic evolution, preferring to pursue their own political objectives'. That was why Britain had been encouraged by the democratic elections in El Salvador, and, like its European Community partners, had strongly supported the Contadora initiative. The forthcoming meeting between European and Central American countries presented an important opportunity for the former to promote and encourage peace in the region (see p 374-6).

The Falkland Islands and Argentina

Reaffirming the importance Britain attached to improving its relations with Argentina, Sir Geoffrey said that Britain had made a genuine and sustained effort to reach agreement for holding direct talks on a basis which would prevent them foundering on the issue of sovereignty over the Falkland Islands. With the help of the Swiss and Brazilian governments as protecting powers, such a basis had been achieved and agreed (see pp 293-4). However, when the talks opened, Argentina had overturned this by insisting that no progress could be made towards normalisation of relations without the certainty that a mechanism would be established to permit negotiations over sovereignty. The talks had therefore come to an end, and an important opportunity had been missed. It was disappointing, Sir Geoffrey added, that Argentina's President had reaffirmed this position as a precondition for any further talks.[1]

A further fundamental principle involved was that of self-determination, to which the Falkland Islanders had the right, like any other people. Britain had hoped that the new Argentine Government with its attachment to democracy and human rights would have been ready to recognise this. 'Those who call on us to negotiate on the sovereignty of the Islands should think what exactly it is they are asking us to do. For Argentina, such negotiations could have only one outcome: the transfer of sovereignty over the Islands irrespective of the wishes of the Falkland Islanders. To ask us to do that is to ask us to overturn the principle of self-determination enshrined in the Charter.'

Afghanistan and Cambodia

The right of peoples to choose their own government, said Sir Geoffrey, was also at issue in Afghanistan and in Cambodia. Britain could not ignore the harsh realities of the Afghan problem, and gave its full support to the efforts of the United Nations Secretary-General which sought to ensure that the principles of the United Nations Charter and successive resolutions were applied to restore an independent and non-aligned Afghanistan. This could not happen until Soviet forces were withdrawn. In Cambodia, the Viet-

[1]A team of specialists, appointed by the United Nations Secretary-General, visited Iran in March 1984 and concluded, after medical and other investigations, that chemical weapons had been used in the conflict between Iraq and Iran. At the time, Britain said it would play a full part in action at the United Nations to follow up the specialists' report, which was released on 26 March.

[2]On 3 October the South African President, Mr Pieter Botha, announced that a cessation of armed activity and conflict in Mozambique, negotiated by the South African Minister of Foreign Affairs, had been assented to by the Mozambique Government and the Mozambican National Resistance (Renamo), and that the South African Government had been requested to play a role in implementing a declaration made the same day by both parties. The declaration acknowledged Samora Machel as President of Mozambique and that armed activity and conflict within Mozambique from whatever quarter had to stop.

[1]On 24 September the Argentine President, Mr Raul Alfonsin, told the General Assembly that the Argentine mission to recover the Falkland Islands, the South Sandwich Islands and South Georgia would continue until its objectives had been achieved. Argentina was firmly committed to seeking the return of these islands by peaceful means and wanted to see normalisation of relations with Britain; this could not take place, however, if there was no mechanism leading to negotiations over sovereignty. During a press conference on the same day President Alfonsin said that Argentina was prepared to accept a Hong Kong-type solution measured in months. 'Or we would accept that the Islands are returned to us in five years, three years, but not in 29 years.'

namese occupying force remained, despite the resolutions passed overwhelmingly by the United Nations in recent years calling for a complete withdrawal. 'The British Government continues to support the Cambodian people's right to determine their own destiny free from outside interference.'

Human Rights

Recalling that a major purpose of the United Nations was to promote and encourage respect for human rights and fundamental freedoms, Sir Geoffrey pointed to the gulf between this intention and the 'gross abuses of human rights' which still occurred in so many parts of the world. These abuses, he added, were sometimes carried out in the name of political, social or religious ideologies, and by some of the leading signatories of the Helsinki Final Act; sometimes they resulted from conditions of anarchy and chaos. 'My Government deplores them all, wherever they occur and for whatever reason their perpetrators may attempt to justify them.'

International Terrorism

Terrorism, Sir Geoffrey said, was a particularly gross form of abuse of the most fundamental human rights of all – the rights of life and liberty. 'Indiscriminate murder for the furtherance of political ends is wholly unacceptable. We must resist it with every legitimate means available to the international community.' The growing involvement in terrorism by governments and their representatives abroad had brought to light another urgent problem: the abuse of diplomatic immunity. The British Government was reviewing the working of the Vienna Convention on Diplomatic Relations (see pp 161-3 and 211) and seeking ways to tighten control of unacceptable activities by members of diplomatic missions. The Convention had performed useful service for over 20 years; what was lacking was determination on the part of signatory states to apply rigorously enough the safeguards and sanctions it contained. The Declaration on Terrorism made at the London economic summit in June and the measures recently agreed by the European Community in Dublin were evidence of how, given the political will, states could swiftly take practical action to deal with international problems.

Conclusion

Concluding, Sir Geoffrey reiterated his conviction that none of the disputes or disagreements before the Assembly was of its essence insoluble. 'In many cases we can already envisage the outlines of a solution. In almost every case, what is needed – and what is missing – is political will. Above all, the political will to work for practical agreement . . . . Often, perhaps in most cases, that will mean the pursuit of limited, but attainable, objectives. Such an approach is a gradual one, demanding the steady creation of confidence between the parties. It will imply the breaking down of issues into manageable proportions. And it will require a spirit of understanding which takes account of the political and economic realities on both sides of the argument.'

British-Chinese Agreement on the Future of Hong Kong

After two years of negotiations, Britain and the People's Republic of China initialled on 26 September a draft agreement providing for Hong Kong to maintain its economic systems and way of life for fifty years after 1 July 1997 as a Special Administrative Region of China. Throughout the negotiations, the aim of the British Government was to reach an agreement which would be acceptable to the people of Hong Kong as well as to the British Parliament. The draft agreement has been published as a White Paper in London and Hong Kong and a special office has been established in Hong Kong to analyse and assess the views of the people there on the acceptability of the agreement.

During the nineteenth century Britain concluded three treaties with China relating to Hong Kong: the 1842 Treaty of Nanking, under which Hong Kong Island was ceded in perpetuity; the 1860 Convention of Peking, under which the southern part of the Kowloon Peninsula and Stonecutters Island were ceded in perpetuity; and the 1898 Convention of Peking under which the New Territories (comprising 92 per cent of the total land area of the territory) were leased to Britain for 99 years from 1 July 1898.

The Chinese Government has consistently taken the view that the whole of Hong Kong is Chinese territory. Its position for many years was that the question came into the category of unequal treaties left over from history; it has, however, always thought that the issue should be settled peacefully through negotiations when conditions were ripe and that the status quo should be maintained pending a settlement.

The draft agreement on Hong Kong's future[1] consists of a Joint Declaration by the two Governments and three annexes, one of which is an elaboration by the Chinese Government of its basic policies regarding Hong Kong after 1997. The other two relate to the establishment of a Sino-British Joint Liaison Group and the question of land leases. There is also a separate Exchange of Memoranda on the status after 30 June 1997 of persons who at present are British Dependent Territories citizens.

Under the provisions of the Joint Declaration, China will in 1997 establish a Hong Kong Special Administrative Region (SAR) which will enjoy a high degree of autonomy, including independent finances, and be invested with executive, legislative and independent judicial power. Laws currently in force in Hong Kong will remain basically unchanged, as will the territory's social and economic systems. Freedoms of the person, speech, the press, assembly, association, travel and movement will be ensured by law. Private property will be protected as will ownership of enterprises and foreign investment. The Hong

[1] *A Draft Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Future of Hong Kong.* Cmnd 9352. HMSO, £3·60. ISBN 0 10 193520 X.

Kong SAR will retain its status as a free port and a separate customs territory as well as that of an international financial centre. The free flow of capital into and out of the territory will continue and the Hong Kong dollar will circulate and remain convertible. The SAR will be allowed to maintain mutually beneficial economic relations with Britain and other countries and, under the name 'Hong Kong, China', to maintain and develop economic and cultural relations and to conclude relevant agreements with states, regions and international organisations.

Britain and China have agreed to establish a Joint Liaison Group to ensure a smooth transfer of government in 1997. Ratification of the agreement will take place in Peking before 30 June 1985.

British Government Views

In the introduction to the White Paper, the British Government says that the agreement provides a framework in which the stability and prosperity of Hong Kong can be maintained after 1997. The Government points out that there is no possibility of amending the text and that the agreement must be taken as a whole. 'The alternative to acceptance of the present agreement is to have no agreement. In this case the Chinese Government has made it plain that negotiations could not be reopened and that it would publish its own plan for Hong Kong. There is no guarantee that such a unilateral plan would include all the elements included in the draft agreement, nor would it have the same status as a legally binding agreement between the two countries.'

The White Paper points out that the New Territories will revert to China under the terms of the 1898 Convention of Peking and that the remainder of Hong Kong (Hong Kong Island, Kowloon and Stonecutters Island) would not be viable alone. 'The choice is therefore between reversion of Hong Kong to China under agreed, legally binding international arrangements or reversion to China without such arrangements. This is not a choice which Her Majesty's Government have sought to impose on the people of Hong Kong. It is a choice imposed by the facts of Hong Kong's history.'

In the view of the British Government, the agreement is a good one and it strongly commends it to the people of Hong Kong and to Parliament. 'Her Majesty's Government are confident that the agreement provides the necessary assurances about Hong Kong's future which will allow the territory to continue to flourish and to maintain its unique role in the world as a major trading and financial centre.'

At a press conference in New York on 26 September, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, described the draft agreement as a historic and remarkable one, since, through the imaginative concept of one country, two systems, it provided that Hong Kong's distinctive economic and social systems and lifestyle, so different from those in the mainland of China, would remain unchanged. Moreover, the result of the negotiations had been enshrined in an international agreement binding in all its parts. Such a formal, legally binding agreement was the highest form of commitment that could be entered into between two sovereign states. Sir Geoffrey added: 'Both the British and Chinese Governments take pride in their impressive record for observing international agreements. Moreover, the agreement takes proper account of the interests of both sides, including the enormous interests that Britain and China share in Hong Kong's continuation as the dynamic society it is today'.

Other Reactions

At the initialling ceremony held in the Great Hall of the People in Peking, Mr Zhou Nan, a Chinese Deputy Foreign Minister, said that China and Britain had reached a satisfactory agreement after patient diplomatic talks in the spirit of friendship, co-operation and mutual understanding. 'The agreement we have just initialled has satisfactorily solved the question of sovereignty over Hong Kong according to the concept of one country, two systems, and provides an effective guarantee for Hong Kong's stability and prosperity in the future.' Mr Zhou added that the agreement would help to consolidate and develop the existing friendly ties between China and Britain.

On 26 September the United Nations Secretary General, Señor Perez de Cuellar, described the negotiations as 'one of the most outstanding examples of effective quiet diplomacy in contemporary international relations' and a tribute 'to the wisdom, perseverance and imaginative thinking of the two governments'.

Consultation with the People of Hong Kong

The White Paper points out that it has been Britain's consistent position that any agreement with China on the future of the territory should be acceptable to the people of Hong Kong as well as to the British Parliament and the Chinese Government. Although the negotiations had to be conducted on the basis of confidentiality, all members of Hong Kong's Executive Council (see p 292), as the Governor's closest advisers, were kept fully informed about the negotiations and consulted on a continuing basis. Moreover, the Governor of Hong Kong took part in every round of formal talks as a member of the British delegation. British ministers also paid a series of visits to Hong Kong to consult the Governor, the Executive Council and the unofficial members of the Executive and Legislative Councils, and at a number of crucial points in the negotiations the Governor and unofficial members of the Executive Council visited London for consultations with the Prime Minister and other ministers. The Hong Kong Government relayed to ministers specific proposals from individuals and groups in Hong Kong on what should be included in the agreement, and during the negotiations the British Government sought to take into account the views of the people of Hong Kong to the maximum extent possible.

As part of the consultative process, an assessment office is being set up in Hong Kong to provide the British Government and Parliament with an analysis and assessment of opinion in Hong Kong on the draft agreement. The Government has appointed two monitors, Sir Patrick

Nairne and Mr Justice Simon Li, to observe the work of the assessment office and to report independently to the Foreign and Commonwealth Secretary on whether they are satisfied that the assessment office has properly, accurately and impartially discharged its duties. In the light of these two reports the British Government will decide what recommendation to make to Parliament.

THE NEGOTIATIONS

In the late 1970s, as the period before the termination of the New Territories lease continued to shorten, concern about the future of Hong Kong began to be expressed in the territory and among foreign investors there. A particular problem was that posed by individual land leases granted in the New Territories, all of which are set to expire three days before the expiry of the main lease in 1997. It became clear that the shortening span of these leases and the inability of the Hong Kong Government to grant new ones extending beyond 1997 would be likely to deter investment and damage confidence. The British Government therefore concluded that confidence would begin to erode in the early to mid-1980s if nothing was done to alleviate the uncertainty caused by the 1997 deadline.

Against this background, the visit of the Prime Minister, Mrs Margaret Thatcher, to China in September 1982 provided an opportunity to open discussions with the Chinese Government on the future of Hong Kong. Substantive discussions took place, both Governments agreeing to enter talks through diplomatic channels with the common aim of maintaining the stability and prosperity of Hong Kong.

During the negotiations, the Chinese Government made it clear that the continuation of British administration in Hong Kong after 1997 would be unacceptable. The British Government therefore proposed that the two sides should discuss on a conditional basis what alternative measures might be devised to maintain the stability and prosperity of Hong Kong and explore further China's ideas about the future. The Chinese Government was informed that if this process was successful, the British Government would consider recommending to Parliament a bilateral agreement enshrining the arrangements and would undertake in this event to assist in their implementation. Following this, Britain sought to explore the Chinese concept of Hong Kong as a Special Administrative Region of China.

Initial discussion of these matters was completed in April 1984 and further progress was made in the same month when Sir Geoffrey Howe visited Peking for talks with Chinese leaders (see pp 163-5). In a statement made in Hong Kong on 20 April, Sir Geoffrey said that it would be unrealistic to think of an arrangement providing for continued British administration after 1997, and that in the negotiations with China Britain was working for arrangements that would provide for the maintenance of Hong Kong's flourishing and dynamic society and an agreement in which these could be formally set out.

After Sir Geoffrey's visit negotiations continued, a working group being established on 21 June to meet full-time in Peking and consider documents tabled by both sides. Sir Geoffrey visited Peking for further talks from 27 to 31 July, and on 1 August announced in Hong Kong that very substantial progress had been made on the form and content of documents which would set out arrangements for Hong Kong's future with clarity and precision, in legally binding form (see pp 291-2).

Following Sir Geoffrey's second visit, negotiations continued on the remaining unresolved issues and three further rounds of plenary talks took place. A further *ad hoc* working group was established in Peking on 24 August and by 18 September negotiators on both sides had approved the English and Chinese texts of the documents making up the draft agreement and the associated Exchange of Memoranda. These were submitted to British ministers and Chinese leaders for final approval, the texts being initialled in Peking by the two delegation leaders on 26 September.

THE DRAFT AGREEMENT

Joint Declaration

In their Joint Declaration the British and Chinese Governments agree that a proper negotiated settlement is conducive to the maintenance of the prosperity and stability of Hong Kong and to the further strengthening and development of relations between the two countries on a new basis.

The Chinese Government declares that the recovery of the Hong Kong area is the common aspiration of the Chinese people and that it has decided to resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997. For its part, the British Government declares that it will restore Hong Kong to China on that date. Most of the Joint Declaration consists of a summary of the basic policies of the Chinese Government regarding Hong Kong which are elaborated in Annex I.

Both Governments agree that, during the transitional period between the date of entry into force of the Joint Declaration and 30 June 1997, Britain will remain responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability and that China will give its co-operation in this connection. They also declare that in order to ensure a smooth transfer of government in 1997, and with a view to the effective implementation of the Joint Declaration, a Sino-British Joint Liaison Group will be set up and function in accordance with the provisions of Annex II. On the question of land leases, the two Governments state that this and related matters will be dealt with in accordance with the provisions of Annex III. Finally, Britain and China agree to implement the Joint Declaration and its annexes.

Annex I: China's Basic Policies Regarding Hong Kong

Noting that the Chinese Constitution stipulates that special administrative regions may be estab-

lished where necessary, the Chinese Government says that Hong Kong will become such a region in 1997. The Chinese National People's Congress will enact and promulgate a Basic Law stipulating that the socialist system and socialist policies practised in the rest of China will not be extended to the Hong Kong SAR and that Hong Kong's capitalist system and life-style shall remain unchanged for 50 years.

Government and Constitution

The Hong Kong SAR will be directly under the authority of the central Chinese Government (that is, not through a provincial government). With the exception of foreign affairs and defence, it will enjoy a high degree of autonomy, including executive, legislative and independent judicial power and have authority to conduct its own external affairs in appropriate areas (including those relating to economic, trade, financial and monetary, shipping, communications, tourism, cultural and sporting matters).

The region's government and legislature will be composed of local inhabitants, with the chief executive being selected by election or through consultations held locally and appointed by the Chinese Government. Principal officials (equivalent to Secretaries) will be nominated by the SAR chief executive and appointed by the Chinese Government. The SAR legislature will be elected, and the executive authority will be required to abide by the law and be accountable to that legislature. In addition to Chinese, English may also be used in government and in the courts, and the SAR will also be able to use a regional flag and emblem of its own as well as displaying the Chinese national flag and emblem.

Laws

Once the Hong Kong SAR is established, laws previously in force in Hong Kong will be maintained save for any that contravene the Basic Law and subject to any amendment by the Hong Kong SAR legislature. The latter will be able on its own authority to 'enact laws in accordance with the provisions of the Basic Law and legal procedures, and report them to the Standing Committee of the National People's Congress for the record'. The SAR's laws will, therefore, consist of the Basic Law, laws previously in force in Hong Kong, and laws enacted by the SAR's legislature.

Judicial System

The judicial system will remain as previously practised apart from changes consequent upon the establishment of a court of appeal within the region (in place of the system of appeal to the Privy Council). Judicial power will be vested in courts which will exercise it independently and free from any interference. Members of the judiciary will be immune from legal action in respect of their judicial functions. In deciding cases, courts will be able to refer to precedents in other common law jurisdictions.

Judges will be appointed in accordance with the recommendation of an independent commission composed of local judges, members of the legal profession and other eminent people. A judge will only be removed for inability to discharge the functions of his office, or for misbehaviour, by the Chief Executive acting in accordance with the recommendation of a tribunal appointed by the chief judge of the court of final appeal, consisting of not fewer than three local judges. The appointment or removal of judges of the highest rank will require the endorsement of the SAR legislature.

A prosecuting authority of the SAR (like the Hong Kong Attorney-General at present) will control criminal prosecutions free from any interference. Local lawyers and those from outside the Hong Kong SAR will continue to be able to practise law in Hong Kong.

The Public Service

The appointment and promotion of public servants will continue to be on the basis of qualifications, experience and ability. After the establishment of the SAR, public servants in all Hong Kong government departments and members of the judiciary will be able to remain in employment and continue their service on terms and conditions no less favourable than before. The SAR will be allowed to employ foreign nationals as public servants at all levels except the highest ones, as advisers and in professional and technical posts in government departments. Pensions and benefits due to officers leaving the public service before or after 1 July 1997 or to their dependants will be paid by the SAR Government.

Finance

The Hong Kong SAR will be responsible for its own financial matters. Taxes in the region will not be levied by the Chinese Government and the SAR will use its financial revenues exclusively for its own purposes. The system under which taxation and public expenditure have to be approved by the legislature will be maintained, as will accountability to the legislature for all public expenditure.

Economic System

The Hong Kong SAR will 'maintain the capitalist economic and trade systems previously practised in Hong Kong' and will decide its own economic and trade policies. 'Rights concerning the ownership of property, including those relating to acquisition, use, disposal, inheritance and compensation for lawful deprivation . . . shall continue to be protected by law.'

Hong Kong's status as a free port and its free trade policy, including the free movement of goods and capital, will be retained. It will also be able to maintain and develop economic and trade relations with all states and regions, and establish economic and trade missions overseas. In addition, it will be a separate customs territory and be able to participate in relevant international organisations and international trade agreements, including preferential trade arrangements such as the General Agreement on Tariffs and Trade and arrangements governing international trade in textiles.

The status of an international financial centre and the existing monetary and financial systems, including regulation and supervision of deposit-taking institutions and financial markets, will be maintained. The SAR Government will be able to

decide its own monetary and financial policies, and to safeguard the free operation of financial business and the free flow of capital. No exchange control policy will apply and markets for foreign exchange, gold, securities and futures will continue.

As the local legal tender, the Hong Kong dollar will continue to circulate and remain freely convertible. The authority to issue Hong Kong currency will be vested in the Hong Kong SAR Government, which will be able to authorise designated banks to issue or to continue to issue Hong Kong currency 'after satisfying itself that any issue of currency will be soundly based and that the arrangements for such issue are consistent with the object of maintaining the stability of the currency'. The exchange value of the Hong Kong dollar will be regulated by the Exchange Fund managed and controlled by the Hong Kong SAR Government.

Shipping

Hong Kong's system of shipping management and regulation will be retained. Private shipping and shipping-related businesses and private container terminals in Hong Kong will continue to operate freely. The Hong Kong SAR will have its own shipping register and will issue certificates in the name of 'Hong Kong, China'. Merchant shipping will have free access to the ports of Hong Kong under the SAR's laws. Access for foreign warships will require the permission of the Chinese Government.

Aviation

Hong Kong's status as a centre of international and regional aviation will be retained, and airlines incorporated and having their principal place of business in Hong Kong as well as businesses related to civil aviation will continue to operate. The Chinese Government will negotiate agreements concerning air services from and to other parts of China through the Hong Kong SAR, though in doing so it will consult the SAR Government, take its interests into account, and include its representatives in delegations to air services consultations with foreign governments. Scheduled air services touching the Hong Kong SAR but not the mainland of China will be regulated by separate arrangements concluded by the SAR Government acting under special authorisation from the Chinese Government.

Education

The Hong Kong SAR will maintain the present educational system and will, on its own, decide policies in the fields of culture, education, and science and technology, including those regarding the educational system and its administration, the language of instruction, the allocation of funds, the examination system, the system of academic awards and the recognition of educational and technological qualifications. Educational institutions will be able to retain their autonomy and continue to recruit staff from outside the Hong Kong SAR. Students will have freedom of choice in education and be able to pursue their education outside Hong Kong.

External Affairs

Subject to the principle that foreign affairs will be the responsibility of the Chinese Government, representatives of the Hong Kong SAR will be able to participate, as members of Chinese delegations, in diplomatic negotiations directly affecting its interests. This will also apply to membership of Chinese delegations in international organisations or conferences in appropriate fields limited to states and affecting the Hong Kong SAR. In addition, using the name 'Hong Kong, China', the SAR will on its own be able to maintain and develop relations and conclude and implement agreements with states, regions and relevant international bodies concerned with economic, trade, financial and monetary, shipping, communications, tourism, cultural and sporting matters. It will also be able to participate in international organisations and conferences not limited to states, and to establish economic and trade missions overseas.

The application to the Hong Kong SAR of international agreements to which China is, or becomes, a party will be decided by the Chinese Government in accordance with the circumstances and needs of the SAR and after seeking the views of the Hong Kong SAR Government. International agreements to which China is not a party but which are implemented in Hong Kong may remain implemented in the region. The Chinese Government will also ensure that the Hong Kong SAR will continue to retain its status in international organisations, whether or not China is a member.

With the approval of the Chinese Government, foreign consular and other official and semi-official missions may be established in the Hong Kong SAR. States not recognised by China will only be able to establish non-governmental institutions. Britain will be allowed to establish a Consulate-General.

Defence and Security

The Hong Kong SAR Government will be responsible for maintaining public order. Military forces sent by the Chinese Government and established in the region for the purposes of defence will not interfere in its internal affairs. The Chinese Government will be responsible for expenditure on these military forces.

Human Rights and Freedoms

The Hong Kong SAR Government will maintain 'the rights and freedoms as provided for by the laws previously in force in Hong Kong, including freedom of the person, of speech, of the press, of assembly, of association, to form and join trade unions, of correspondence, of travel, of movement, of strike, of demonstration, of choice of occupation, of academic research, of belief, inviolability of the home, the freedom to marry and the right to raise a family freely'.

Every person will have the right to confidential legal advice, access to the courts, representation in the courts by lawyers of his or her choice, and to obtain judicial remedies. In addition, every person will have the right to challenge the actions of the executive in the courts.

Religious organisations and believers will be able to maintain their relations with religious organisations and believers elsewhere, and religious bodies will be able to own schools, hospitals and welfare institutions. The relationship between religious organisations in Hong Kong and those in other parts of China will be based 'on the principles of non-subordination, non-interference and mutual respect'.

The provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic and Social Rights as applied to Hong Kong[1] will remain in force.

Right of Abode, Travel Documents and Immigration

People who will have the right to enter, re-enter, live and work in the Hong Kong SAR will include Chinese nationals who were born in Hong Kong or have lived there for at least seven years; Chinese nationals born outside Hong Kong to Chinese nationals having the right of abode in Hong Kong; all non-Chinese nationals who have lived in Hong Kong continuously for at least seven years and who have taken it as their place of permanent residence; and any others who had the right of abode only in Hong Kong before 1 July 1997.

Non-Chinese nationals born in Hong Kong to parents who have the right of abode there also have the right of abode but will retain it after the age of 21 only if they have met the requirements of seven years' residence. The SAR Government will issue permanent identity cards to all those having the right of abode there: these cards will state the holder's right of abode.

The Chinese Government will authorise the SAR Government to issue passports to Chinese nationals who hold permanent Hong Kong SAR identity cards, and SAR travel documents to all other persons lawfully residing in Hong Kong. These passports and documents will be valid for all states and regions and will record the holder's right to return to the Hong Kong SAR. Both these categories of persons will also be able to use travel documents issued by the competent Chinese authorities or by other governments (including Britain) for travel to and from the SAR.

Entry into the Hong Kong SAR of persons from other parts of China will be regulated in accordance with the present practice.[2] The Hong Kong SAR Government will be allowed to apply immigration controls on entry, stay in and departure from the region of persons from foreign states and regions. Unless restrained by law, holders of valid travel documents will be free to leave the Hong Kong SAR without special authorisation.

[1]The two Covenants were adopted by the United Nations General Assembly and entered into force in 1976. They identify in detail specific human rights and freedoms, including the right to work, to an adequate standard of living, to life and liberty, and to freedom of expression, conscience, religion and association. Although they apply to Hong Kong, Britain has entered a number of reservations designed to take account of Hong Kong's social and economic conditions: these reservations relate to immigration and to the deportation of aliens.

[2]Hong Kong operates a system of immigration control, the aim of which is to contain increases in population from immigration at acceptable levels. In 1983 about 27,000 legal immigrants from China settled in the territory.

Annex II: Sino-British Joint Liaison Group

Annex II describes the functions of the Sino-British Joint Liaison Group which is being set up to conduct consultations on the implementation of the Joint Declaration, to discuss matters relating to the smooth transfer of government in 1997, and to exchange information and conduct consultations on such subjects as may be agreed by the two sides.

Matters for consultation during the first half of the period between the establishment of the Group and 1 July 1997 will include action to be taken by the two Governments to enable the Hong Kong SAR to retain its economic relations as a separate customs territory, and in particular to ensure the maintenance of Hong Kong's participation in the General Agreement on Tariffs and Trade, the Multifibre Arrangement and other international arrangements. Britain and China will also consider the action required to ensure the continued application of international rights and obligations affecting Hong Kong.

The Annex says that in the second half of the period up to 1 July 1997, there will be a need for closer co-operation. Both Governments will therefore consider procedures to be adopted for the smooth transition in 1997 and action to assist the Hong Kong SAR to maintain and develop economic and cultural relations and to conclude agreements on these matters with states, regions and relevant international organisations.

The Joint Liaison Group will not be an organ of power, will play no part in the administration of Hong Kong or the Hong Kong SAR, and will not have any supervisory role over that administration. The Group will be established on the entry into force of the Joint Declaration and continue its work until 1 January 2000. Although its principal base will be in Hong Kong from 1 July 1988, it will also meet in Peking and London. It will meet at least once in each of the three locations every year, and the venue for each meeting will be agreed between the two sides. The Group will also be able to set up specialist sub-groups to deal with particular subjects requiring expert assistance.

Annex III: Land Leases

All leases of land granted or decided upon before the entry into force of the Joint Declaration and those granted thereafter and which extend beyond 30 June 1997, and all rights in relation to such leases, will continue to be recognised and protected under the law of the Hong Kong SAR.

All leases of land granted by the present Hong Kong Government that do not contain a right of renewal and expire before 30 June 1997 (except short tenancies and leases for special purposes) 'may be extended if the lessee so wishes for a period expiring not later than 30 June 2047 without payment of an additional premium'. An annual rent of 3 per cent of current rateable value will be charged from the date of extension, except in the case of village land held by indigenous villagers who will continue to pay a nominal rent.

In the period between the entry into force of the Joint Declaration and 30 June 1997, the Hong

Kong Government will be able to grant new leases of land for terms expiring not later than 30 June 2047. A premium will be payable and a nominal rent will be charged up to 30 June 1997, after which no additional premium will be payable; the rent will, however, increase to 3 per cent of current rateable value. The total amount of new land to be granted will be limited to 50 hectares (123 acres) a year (excluding land to be granted to the Hong Kong Housing Authority for public rental housing).

Premium income from land transactions in the period up to 1997 will be shared equally between the Hong Kong Government and the future Hong Kong SAR Government for the purposes of financing land development and public works.

Once the Joint Declaration enters into force, a Land Commission, composed of an equal number of officials designated by the British and Chinese Governments, will be established to conduct consultations; to monitor observance of the 50-hectare limit, the amount of land granted to the Hong Kong Housing Authority, and the division and use of premium income; to consider and decide on any proposals from the Hong Kong Government for increasing the 50-hectare limit; and to examine proposals for drawing on the Hong Kong SAR Government's share of premium income and to make recommendations to the Chinese side for decision.

Any matter on which the Commission disagrees will be referred to the British and Chinese Governments for decision. The Commission will be dissolved on 30 June 1997.

Exchange of Memoranda

The status after 30 June 1997 of persons who are now British Dependent Territories citizens, and related issues, are covered in two memoranda which will be formally exchanged between Britain and China on the same day as the signature of the Joint Declaration.

The British Memorandum

The British memorandum says that, as Hong Kong will no longer be a British dependent territory after 30 June 1997, British Dependent Territories citizens in Hong Kong will cease to have that status. They will, however, be eligible to retain an appropriate status which, without conferring the right of abode in the United Kingdom, will entitle them to continue to use passports issued by the British Government. This new status will be acquired only if a person holds, or is included in, such a British passport issued before 1 July 1997, with the exception that eligible persons born on or after 1 January 1997 but before 1 July of that year will be able to obtain, or be included in, such a passport up to 31 December 1997.

No person will acquire British Dependent Territories citizens' status on or after 1 July 1997 by virtue of a connection with Hong Kong. In addition, no person born on or after 1 July 1997 will acquire the new status.

People holding British passports under the new status will have the right to receive British consular services and protection in third countries.

Chinese Memorandum

The Chinese Government says that, under its nationality law, all Hong Kong Chinese compatriots, whether holders of the British Dependent Territories citizens' passport or not, are Chinese nationals. However, it indicates that Chinese nationals in Hong Kong who were previously called British Dependent Territories citizens will be able to use travel documents issued by the British Government for the purpose of travelling to other states and regions; they will not, however, be entitled to British consular protection in the Hong Kong SAR and other parts of China.

Central America and Europe

At a conference in Costa Rica in September, Britain and its partners in the European Community underlined their commitment to the Contadora peace process in Central America and to the strengthening of democracy and respect for human rights in the region. Community members also undertook to examine further ways of assisting the region's economic and social development.

The conference, which took place in San José on 28 and 29 September, followed an invitation to Community members and to Spain and Portugal by the President of Costa Rica, Señor Luis Alberto Monge Alvarez, during a visit to Europe in June. It was attended by representatives from the ten Community member states and from Spain, Portugal, the five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the Contadora Group (Colombia, Mexico, Panama and Venezuela).

The Communiqué

In their joint communiqué the foreign ministers said that the political and economic dialogue between Europe and Central America and the increased practical co-operation that it would engender would reinforce the efforts to bring an end to violence and instability in Central America and to promote social justice, economic development, and respect for human rights and democratic liberties in the area. The participants agreed that further meetings should take place at regular intervals between European Community member states and Central American countries, the Spanish and Portuguese foreign ministers associating themselves with these arrangements.

Ministers reaffirmed their commitment to peace, democracy, security, political stability, and economic and social development in Central America and stated that the region's problems could not be solved by armed force but only by political solutions springing from the region itself. Affirming their support for the measures being developed in the Contadora peace process (see p 376) which they considered presented the best opportunity to achieve a peaceful solution to the crisis in the region, they urged all the states concerned to

complete the process by concluding a comprehensive agreement which would also include provisions for verifying and controlling its implementation. The European countries expressed their willingness to support the efforts of those states who would be responsible for implementing the agreement's provisions.

Turning to the international economic situation, ministers underlined the problems concerning the external indebtedness of the developing countries and the wider economic, trade and social implications for these countries. The Central American ministers stressed that in present circumstances debt servicing by them was even more burdensome, given increased interest rates and falling prices for their exports. The European countries said that they were ready to assist the Central American countries in the pursuit of policies aimed at solving these problems.

The Community member states recognised that the Central American region had a definite development potential through the process of integration, and reaffirmed that they would support this through the further development of relations between the two regions. The Community undertook to do everything possible, within the context of its programme in support of developing countries, towards Central America's development. In addition to bilateral aid given by member states, it would provide technical and financial assistance for agricultural, agro-industrial and rural projects, and, with the aim of promoting regional economic integration, would give priority to regional projects. Social projects such as health programmes and those intended to help people who had been compelled to abandon their traditional homes would also receive support. The Central American countries agreed to present priority projects taking into account social welfare aspects. They also stressed the need for financial support to reactivate the area's industry and agriculture. In addition all participants recognised the need to develop, extend and diversify their mutual trade.

Ministers also discussed the promotion of business contacts between Central America and the Community, co-operation between public and private national financing institutions, and scientific, technical and basic training, particularly in the field of research. They agreed that the promotion and protection of European investment in Central America was in their mutual interest and that appropriate measures to encourage private investment were required.

Community and Central American ministers acknowledged the importance of strengthening relations and declared themselves ready to start discussions as soon as possible with a view to negotiating an inter-regional framework co-operation agreement.

Britain's Views

Speaking at a press conference in San José on 29 September, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that he had come to Central America to underline British and European support for the efforts being made to establish and strengthen the foundations of democracy and better respect for human rights in the area; to explore with the countries of the region the scope for advancing the peace process and for European assistance in that process; to discuss ways in which Europe could best help the economic and social development of the poorer Central American countries; and to emphasise that British interest in the area was not confined to its involvement in Belize, where 1,500 troops were stationed, or the Caribbean, where its aid programme ran to over £16 million a year.

Sir Geoffrey emphasised the importance of building on recent success in establishing democracy in the region, for proper democracy meant a pluralistic society in which people had a genuine choice and governments were changed by peaceful means. There was no point in replacing a dictatorship of the right by one of the left or vice versa.

Britain had also welcomed recent progress in the Contadora process and the willingness of the Central American countries to build on it. Sir Geoffrey hoped that the next stage would bring out the crucial importance of adequate implementation and verification.

Concluding, Sir Geoffrey said that the meeting had marked a further stage in the development of the capacity of the European Community for collective action. Although this development did not amount to the practice of a common foreign policy, it did show that where politics, aid and trade all interacted with each other, the collective weight of the Community could be greater than the weight of its individual members. This was particularly important for the Community's relations with regional groups of countries, like those of Central America, whose long-term aspirations were similar to those of Community members. Provided that contacts were developed realistically, and Sir Geoffrey stressed that the follow-up to the San José meeting had to be pursued in an effective and practical manner, then a closer relationship was bound to be a good thing.

Answering questions, he said that the Community was conscious of the need not to allow aid to be diverted to military or subversive activities and to ensure that it was directed to sensible programmes. Progress in democracy was a factor that had to be taken into account when allocating aid, but developmental needs were also very important. Britain believed that there was a case for a significant increase in the Community's aid to the region and its own bilateral programmes would also be increased over the next two years.

On the United States commitment to the Contadora process, Sir Geoffrey said that the United States, the Central American countries and the European Community member states had the same objectives in the area, namely better economic development, more useful dialogue and contact, democracy on sure foundations, and adequate security and defence. Although the United States and the Community member states did not always approach the questions with exactly the same perceptions or the same specific conclusions, the United States had been anxious for the countries in Europe to play an effective part in the problems arising outside the European region.

Background

Since the late 1970s Central America has been suffering from internal civil disorder, mainly in Nicaragua, El Salvador and Guatemala. In the last five years El Salvador has faced internal conflict, with left-wing insurgents controlling parts of the countryside. In 1979 the left-wing Sandinista revolution took place in Nicaragua and the new regime has faced increasing attacks by anti-government insurgents.

The instability in the region led Venezuela, Colombia, Mexico and Panama to launch a peace initiative following a meeting of their foreign ministers in January 1983 on Contadora Island in Panama. On 19 May 1983 the United Nations Security Council unanimously adopted a resolution commending the efforts of the Contadora countries, appealing to the interested states to co-operate fully, and reaffirming the right of the Central American countries to live in peace and security, free from outside interference.

In July 1983 the Contadora Group adopted the Cancun Declaration setting out a list of basic principles essential to peace in the area, and in September 1983 succeeded in obtaining approval from the five Central American governments of a 21-point Document of Objectives drawn up in September 1983; these included an end to support for cross-border subversion and destabilisation of Central American governments, an end to the arms race in the area and to the presence of foreign military bases and advisers, elimination of the traffic in arms, full pluralistic democracy, and respect for human rights.

At the beginning of 1984 the Contadora and Central American countries established three working commissions to consider the three areas of security, political matters, and economic and social questions and to make recommendations, including verification and supervision of the implementation of any agreed measures. In September 1984 the Contadora countries presented to the five Central American states a multilateral draft treaty, the Contadora Act on Peace and Co-operation in Central America, based on the Document of Objectives and on recommendations adopted by consensus in the three working commissions.

Honduras announced its willingness to sign, subject to certain conditions in the draft being tightened, notably simultaneity of implementation and verification of arms reductions. El Salvador took a position similar to that of Honduras. Guatemala and Costa Rica have indicated their willingness to sign and Nicaragua followed suit on 22 September on condition that signature was immediate, that there was no change in the draft treaty and that the United States acceded to an additional protocol endorsing the treaty.

In June 1983 Britain and the other nine European Community member states issued a statement saying that the problems of Central America could not be solved by military means but only by a political solution respecting the principles of non-interference and inviolability of frontiers. They expressed support for the Contadora initiative, and emphasised the need to establish democratic conditions and the strict observance of human rights throughout the region. In March 1984 the ten member states reaffirmed their support for the efforts of the Contadora countries.

Relief Aid

Since 1981 Britain has contributed more than £1 million to the relief of refugees and displaced persons in Central America – £700,000 through the International Committee of the Red Cross and £400,000 through the United Nations High Commissioner for Refugees. Assistance to these organisations has also been provided indirectly through British contributions to European Community aid programmes. In March 1984 Britain made available £100,000 to the Catholic Fund for Overseas Development for emergency relief to displaced families and orphans in El Salvador.

Chancellor's Speech at International Monetary Fund Meeting

Economic developments over the past year in Britain – now in the fourth year of its economic recovery – were soundly based, the Chancellor of the Exchequer, Mr Nigel Lawson, told the joint annual meeting of the International Monetary Fund (IMF) and World Bank on 25 September in Washington. Investment and exports were performing well, inflation had levelled off and monetary growth and public borrowing remained within target. However, the Chancellor was concerned about the continuing level of unemployment, which, he felt, would remain high until the increase in real wages could be moderated.

The British Economy

Trends over the past year, Mr Lawson said, had been much as he had foreseen, with Britain now in the fourth year of steady recovery. As expected, the pattern of recovery had changed: fixed investment and exports had both grown rapidly, while consumer spending had increased more slowly. In particular, the volume of manufacturing investment in the first half of 1984 was about 15 per cent higher than a year ago. The annual rate of inflation, however, had remained around 5 per cent for some 18 months.

Developments in fiscal and monetary policy had been as intended. Both broad and narrow measures of money had been growing at rates well within their target ranges (see p 125) and the Government was continuing to reduce the budget deficit. In 1983-84 the public sector borrowing requirement (PSBR) had amounted to over 3 per cent of gross domestic product (GDP); the Government had budgeted for a figure of 2·25 per cent in 1984-85 (see pp 126-7), and present indications suggested that it remained broadly on target.

Economic growth in 1983 had been 3·25 per cent. The fall in coal output as a result of the continuing miners' strike was equivalent to almost 1 per cent of GDP in 1984; growth this year might therefore be closer to 2 per cent than the 3 per cent previously expected (see p 124). By the same token, growth in 1985 should benefit by about 1 per cent, with coal output returning to its normal level, and was expected to be higher than in 1984.

While the business cycle had not been abolished, the policies which Britain, in common with many other industrialised countries, had been following formed 'a sounder basis for sustainable growth than we have known in the past'. In Britain this was borne out by the important differences between this recovery and previous ones. The absence of significant stockbuilding this time meant that there was much less chance of a marked stockbuilding cycle. There was little risk of higher inflation, 'which so often has been an important factor in cyclical slowdown'. The different timing of output growth in the United States and Europe meant that the expansion of world trade should be more even. Also, the prices of commodities, including oil, were displaying weakness rather than the rapid growth of the last two cyclical upswings.

In previous cycles, inflation had tended to rise as soon as recovery had become well established, which had led many commentators to argue that an upturn in inflation in Britain was imminent; the Government took a different view. Its analysis suggested that 'the pressures making for higher inflation are not strong'. Monetary growth continued to fall and competitive forces were likely to restrain price increases. The underlying trend of inflation was still downward. 'This performance of inflation during the current recovery has convincingly reversed the secular upward trend of the last two decades.'

Unemployment remained 'the one outstanding worry'. It was not only far too high but was continuing to rise. New jobs were being created – in the year to March the number of people in work in Britain had risen by some 250,000, double the increase in unemployment over the same period – 'but we ought to be doing better than this'. The rise in unemployment was, to some extent, the temporary consequence of 'the long overdue success of British industry in making itself more competitive by cutting costs and improving productivity'; but 'the heart of the problem' – in particular contrast to experience in the United States – had been the steady growth in real wages. The Chancellor warned against the danger of overlooking the fact that, despite the technological revolution, many jobs of the future would be in labour-intensive service industries 'which are not so much low-tech as no-tech'. He saw little prospect of reversing the increase in unemployment without a decisive moderation in the growth of real wages: 'it has become more important than ever to remove rigidities in the

labour market and product markets alike'. The recent emphasis, in Britain as elsewhere, on financial stabilisation (which had proved successful) should not obscure the need for greater reliance on supply-side policy in dealing with the structural problems which were the cause of the continuing high level of unemployment.

The World Economy

Recovery in the industrialised world had exceeded the hopes of a year ago; reasonable rates of growth – more evenly spread – were expected to continue in 1985. The position of many developing countries – particularly regarding their overseas payments – had also strengthened.

On overseas trade, there was agreement to begin preliminary consultations on a new round of multilateral trade negotiations. With recovery being sustained, Mr Lawson felt that there was no need to wait for these negotiations before taking action to reduce protectionist barriers – tariffs, subsidies and other distortions. 'With an overvalued dollar causing imports to flood into the United States, with high and rising unemployment in Europe, and with the continuing hardship faced by much of the developing world, the pressures for protectionism are very strong indeed. It is essential that we resolve all the more strongly to resist them. Nothing could be more self-defeating than a world-wide drift to protectionism. And few things would be more damaging to our burgeoning recovery.'

The past year had also seen progress in promoting the free flow of capital between countries; for example, Japan had announced steps to encourage the international use of the yen.

The Chancellor was thus optimistic on the course of world economic activity. 'We have a distinctly improved climate, and the medium-term prospects for widely shared recovery are better than for many years past.'

Interest Rates

Interest rates, however, remained 'a dominant concern for most of us'. The large size of the United States budget deficit meant that real interest rates in the United States had reached unprecedented heights while the needs of the United States economy pre-empted a large share of the savings of the rest of the world. High interest rates had led to a sharp rise in the value of the dollar.

International Debt

The Chancellor observed that some countries had achieved 'conspicuous success' in adjusting their overseas payments. Some, however, had undertaken little adjustment while others had yet to begin. 'The need for further adjustment is evident. . . .The essential point, on a longer perspective, is that borrowing countries will need to place more emphasis on changing the structure of their economies to reduce distortions and disincentives. More consideration needs to be given to ways in which this can be achieved.'

He said that it was necessary, both in the interests of debtors and the private banks, which in recent years had played a major role in financing debtor countries' balance-of-payments deficits, that non-bank private financial flows should gradually increase. This issue had been tackled at the London economic summit in June (see p 218), where a strategy to create a sounder financial framework of medium-term development in debtor countries had been outlined. Important elements of this included the multi-year rescheduling of debts; a stronger role for the World Bank group in fostering development over the medium and long term, not least as a catalyst for private investment; the removal of obstacles within developing countries to the inflow of direct investment; and the encouragement of more appropriate and stable forms of finance. At the same time, the most important contribution governments of the major creditor countries could make was to pursue economic and financial policies which would promote the recovery of world economic activity and the vigorous growth of world trade.

Arguing in favour of a case-by-case rather than a global approach, Mr Lawson justified this on the grounds that it recognised that every debtor country was individual. The case-by-case approach also took account of the need to buy time which, provided it was put to good use, was 'an invaluable commodity'.

Conclusion

'Two years ago saw the start of global economic recovery', the Chancellor concluded. 'This year we can reasonably claim that it is well established.' In the year ahead, the task would be to sustain the recovery by making progress in five areas: achievement of stable monetary conditions and reduced budget deficits; application of supply-side policies to improve productive potential and employment; resistance to protectionism and movement towards a new round of multilateral trade negotiations; maintenance of the momentum of economic adjustment, where it was still needed; and formulation of new ways of financing the future needs of developing countries and relaxing obstacles to private capital flows. 'Let us in all these endeavours recognise the responsibilities which flow from the interdependence of our economies, an interdependence of which the Fund and the Bank are so valuable an institutional expression.'

Airline Competition Policy

The objectives of the Government's civil aviation policy, which include the promotion of competition in all markets, the encouragement of a sound and competitive multi-airline industry, and the privatisation of British Airways, are set out in a White Paper published on 5 October.[1]

The White Paper contains the Government's response to the report of the Civil Aviation Authority (CAA – see pp 315-16) which recom-

[1] *Airline Competition Policy*. Cmnd 9366. Department of Transport. HMSO, £1·75. ISBN 0 10 193660 5.

mended the transfer of a number of British Airways' routes to other British airlines. The Government has now secured agreement between British Airways and the leading independent airline, British Caledonian, for a limited transfer of routes. Announcing the publication of the White Paper, the Secretary of State for Transport, Mr Nicholas Ridley, said that fair competition was 'the cornerstone of [the Government's] policy towards the airlines'. Wherever it was sensible, the Government would encourage competing British airlines on overseas and domestic routes and would ensure adequate safeguards against anti-competitive behaviour. The proposed exchange of routes should give British Caledonian a sounder financial base from which to attack new markets, while leaving plenty of opportunities for profitable growth by British Airways. The White Paper would mean 'more competition and a stronger British civil aviation industry able to deliver what the traveller really wants – efficient services at attractive prices'.

WHITE PAPER

The White Paper says that the pattern of airline services and the fares charged should be decided by the market. Regulation is clearly needed in the case of safety where high standards must be maintained, but the case for regulating the commercial activities of airlines is much less clear. 'The Government will move as far and fast as it can from a world of regulation to one where airlines compete for the customer's attention.'

Government Objectives

Apart from maintaining high standards of safety, the objectives of the Government's airline policy are 'to encourage a sound and competitive multi-airline industry with a variety of airlines ... serving the whole range of travellers' needs and strong enough to compete aggressively against foreign airlines; to promote competition in all markets, internationally by working to reduce restrictions on services and by making it easier for new airlines to enter the market, and domestically by cutting out controls on new services and on fares and capacity; to ensure adequate safeguards against anti-competitive or predatory behaviour by airlines;' and to transfer the ownership of British Airways into the hands of private investors, which is planned for early in 1985.

Over the last five years the Government has taken a number of initiatives to build up competition between British airlines and between these and overseas airlines. The Civil Aviation Act 1980 (see pp 382-3, 1979) was a further step towards competition on international routes and had resulted in the opening up of the domestic market.

Response to the CAA Review

The CAA's review was produced in response to a request by the Secretary of State for Transport that it should look into the implications of privatising British Airways for competition and the sound development of the British airline industry. The Government has decided, the White Paper says, that there will be no forced reduction in British Airways' size relative to the rest of the industry. Independent airlines have grown despite British Airways and should continue to be able to grow, given fair competition, provided sufficient opportunities are available and they have the resources to take advantage of those opportunities.

Competition on European Scheduled Services

The White Paper says that, although some overseas markets (notably the United States) are fairly open, the European Community offers the best chance for further liberalisation. The Government is seeking to persuade other members that the Community should adopt a more liberal civil aviation market and is attempting to negotiate more liberal bilateral regimes with other members, as has already been achieved with the Netherlands (see p 274). On some routes the Government has been able to agree with the governments concerned the designation of two or more British airlines to operate in competition, although on a number of other routes the present arrangements still allow for only one British and one overseas airline.

Competition would develop mainly between British Airways at Heathrow airport and British Caledonian at Gatwick, which would help the development of Gatwick as a major centre of international services. Gatwick would also benefit by the strengthening of British Caledonian and by the imposition from the end of 1985 of an annual limit of 275,000 air transport movements at Heathrow. The Government therefore welcomes the CAA's intention to seek, through its licensing decisions, to increase the range and penetration of European scheduled services from Gatwick. However, it does not accept the CAA's recommendation that British Airways' scheduled services at Gatwick should be transferred to other airlines. It hopes instead that British Airways will develop its Gatwick services further, despite the penalty it suffers from splitting its London-based operations between Heathrow and Gatwick. In order to reduce the penalty, the Government is prepared to allow British Airways to move, from Gatwick to Heathrow, its scheduled services to Madrid, Barcelona and Lisbon, on condition that sufficient of its other scheduled services are moved from Heathrow to Gatwick to ensure no net increase in the level of British Airways' air transport movements at Heathrow.

The Government rejects the CAA's recommendation that British Airways' regional routes to Europe should be compulsorily transferred to other airlines. A transfer would not necessarily increase competition, and there is a risk that without the major airline operating from Manchester and Birmingham both airports would become less attractive. Instead British Airways has offered to help the independent airlines to start new routes by making available to any airline other than British Caledonian up to £450,000 for each European route (spread over three years) in order to meet some of the development costs, and to help them with supporting services. The offer would extend to a maximum of 15 routes from the six regional airports at which British Airways currently operates.

Intercontinental Scheduled Services

The White Paper says that wherever it is sensible to do so the Government will seek to negotiate, with the other governments concerned, dual designations and opportunities for less direct competition (such as designating two British airlines on routes to different points in the same country). The CAA proposed that the Government should take new statutory powers to transfer certain profitable intercontinental routes from British Airways to British Caledonian to strengthen the latter as a potential competitor and to make it better able to replace British Airways on a major international route should the need arise. While the Government agrees generally with these objectives, it prefers a reciprocal arrangement to strengthen British Caledonian financially, under which each airline would withdraw from routes which the other might then take up. The two airlines have agreed to such an arrangement. British Airways has offered to withdraw from Jedda and Dhahran in Saudi Arabia, and the Government is ready, subject to the licensing processes, to designate British Caledonian in place of British Airways on these routes and to negotiate with the Saudi authorities to obtain rights for it to serve Riyadh. In return British Caledonian has offered to withdraw from its South American routes, and to surrender its licences (currently unused) to Denver and Morocco, while it will not oppose British Airways' licence applications to serve Orlando and Tampa in the United States. The effect of these transfers would be to raise British Caledonian's annual pre-tax profits by some £18 million, while reducing British Airways' profits by the same amount. Although this transfer would mean a reduction in the proceeds from the privatisation of British Airways, the Government considers that this is justified by the benefit to the consumer from strengthening British Caledonian as a competitor to British Airways on international routes, and the benefit to the economy of more efficient competition with overseas airlines.

Domestic Services

The Government strongly endorses the CAA's proposal to introduce, initially as an experiment for two years, an area licensing facility allowing airlines to fly, subject to certain exceptions, between any two points in Britain. This will be an important step allowing domestic airlines to develop services based on customer need. The Government also welcomes the CAA's proposal that domestic fares should no longer require specific approval.

Charter Services

In spite of the concern expressed by the charter airlines about the impact a privatised British Airways could have on their activities, the Government is reluctant to initiate measures which would directly restrict the present level of competition. The Government therefore agrees with the CAA that to ban British Airways from whole plane charters or to require its charter subsidiary, British Airtours, to be disbanded or sold separately, would not benefit competition or the consumer.

CAA Powers

The Government is satisfied that the CAA's existing powers as the main regulator of the civil air transport industry are adequate to maintain and promote competition in the airline industry, including action against anti-competitive and predatory behaviour. The CAA favoured a strengthening of its powers and duties in order to promote the sound development of the industry, but after careful consideration the Government has concluded that this is not necessary as the present statutory framework has proved sufficiently flexible to allow the competitive development of airline services and would be sufficient to implement the policies in the White Paper. However, the Government intends to expand the role of the Director General of Fair Trading (who can already investigate anti-competitive conduct in domestic air services) so that he would also be able to investigate anti-competitive conduct in charters under the Competition Act 1980 and to refer monopoly questions concerning both charter and domestic services to the Monopolies and Mergers Commission under the Fair Trading Act 1973.

Industrial Development Act Report

Details of the main schemes of aid to industry provided directly by the Department of Trade and Industry and the Scottish and Welsh Offices in 1983-84 are contained in the annual report on the Industrial Development Act 1982.[1]

The Industrial Development Act 1982 (see p 364, 1982) consolidates previous legislation, including the main provisions of the Industry Act 1972 (see pp 267-8, 1972) on regional and national assistance. Aid is primarily provided for regional assistance, national selective assistance (chiefly comprising general and sectoral schemes with some other measures of national assistance), special assistance for shipbuilding and associated industries, and small firms assistance.

Regional Aid

Regional development grants once again provided the largest element of government support to industry in the 'assisted areas'[2] in 1983-84, amounting to £439 million. They are made principally towards capital expenditure incurred in pro-

[1] *Industrial Development Act 1982*. Annual report by the Secretaries of State for Trade and Industry, Scotland and Wales for the year ended 31 March 1984. HMSO, £8. ISBN 0 10 260484 3. Responsibility for the promotion of industrial development in Northern Ireland rests with the Industrial Development Board (see p 327, 1982).

[2] 'Assisted areas' are those parts of Great Britain which have the highest levels of unemployment and where the economic structure is weakest. They are mainly in Scotland, Wales and northern and south-western England, and are subdivided into special development areas (in which assistance is judged to be most necessary), development areas and intermediate areas.

viding new buildings and works, on adaptations to existing buildings and on new plant and machinery to be used in these premises. The total amount of grant paid out on new buildings and works was £63 million and on plant and machinery £376 million.

Regional selective assistance is made available to encourage sound projects that will improve employment opportunities in the assisted areas. Projects qualifying for assistance fall into two broad categories: new projects and expansions which create additional employment, and projects for modernisation or rationalisation which safeguard existing employment. In 1983-84 grants totalling £149 million were paid to industry in the form of regional selective assistance. The Government was also able to claim £5 million in respect of this assistance from the European Regional Development Fund. The total amount of regional assistance (including regional selective assistance) received from the Fund was £31 million. The exchange risk guarantee scheme encourages private industry to take advantage of foreign currency loans available from European Community institutions by providing a guarantee against the exchange risk. Under the scheme the borrower accepts only a sterling liability; the Government takes the exchange risk in return for an annual premium on the outstanding value of the loan. The scheme applies to loans for manufacturing industry and for certain services including tourism. During 1983-84 exchange risk cover was supplied on loans totalling £67 million. By the end of March 1984, £538 million of loans attracting exchange risk cover had been made.

In December 1983 a White Paper setting out the Government's proposals for a new structure for regional industrial incentives was published (see pp 15-18).

National Selective Assistance

A range of support continues to be given as national selective assistance under section 8 of the Industrial Development Act; the schemes involved can be broadly categorised into general investment schemes and other measures generally directed at particular activities or industrial sectors. Total grant payments under section 8 arrangements since 1972 increased by £106 million in 1983-84 to £654 million, keeping the level of annual payments at about twice the cash figure spent in 1979-80. Recently, the Government has announced changes in the way that national selective assistance is to be administered, aimed at increasing its effectiveness and achieving better value for money. The maximum level of grant available under national schemes has been reduced from one-third to one-fifth.

Three schemes closed during 1983-84: the private sector steel scheme, the second small engineering firms investment scheme (SEFIS II – see p 142, 1983), and the computer-aided design and test equipment support scheme. Three new schemes were introduced: the innovation-linked investment scheme, the certification scheme and the quality assurance scheme. Extensions were announced to the coal firing scheme, the flexible manufacturing scheme and the microelectronics industry support programme, with £120 million allocated to the last to fund the programme until 1990.

Assistance is available under the general powers of the Industrial Development Act for major projects in manufacturing. Projects must be viable and lead to substantial improvements in performance or to the introduction of new products or processes. By 31 March 1984 assistance totalling £40 million had been offered towards 97 projects involving the investment of £376 million.

'Support for Innovation' (see pp 296-7, 1982) is the comprehensive facility for assisting approved research and development projects and for promoting the development and adoption of certain new technologies. Most of the assistance is made available under the Science and Technology Act 1965, but some is available under the Industrial Development Act. The innovation-linked investment scheme, for example, helps small and medium-sized enterprises to launch into production new or significantly improved products and processes. By 31 March 1984 assistance totalling £600,000 had been offered for 17 projects costing £3·5 million and a further 42 applications were under consideration. The first microelectronics industry support programme had offered a total of £55 million to industry under the Industrial Development Act by 31 March 1984. A follow-up programme (see p 138) was announced on 19 March 1984. At 31 March 1984 one offer of £500,000 assistance had been made towards a project costing over £2 million and 33 projects were under consideration. The fibre-optics and opto-electronics scheme had offered assistance amounting to £2·4 million under the Industrial Development Act by the end of March 1984. The flexible manufacturing systems scheme (see p 211, 1982, and p 138) was launched in 1982 and by 31 March 1984 assistance totalling almost £13 million had been offered for 79 projects costing £47 million, with a further 39 projects being considered. The robot support programme (see p 336, 1981) had offered assistance worth £7·5 million for 83 projects costing £22 million by 31 March 1984. The computer-aided design and test equipment support scheme was introduced in 1982 and, at 31 March 1984 assistance worth £21 million had been offered for 837 projects costing £81 million; a further 301 applications were under consideration.

The purpose of SEFIS I was to help small firms in the engineering industry by stimulating or accelerating new investment in specific types of advanced capital equipment. The scheme was introduced in 1982 and by the end of March 1984 assistance totalling £32 million had been offered for 1,444 projects costing £96 million. (For a report on its effectiveness, see p 384.) It was followed by SEFIS II in March 1983 which closed for applications in September 1983 and by 31 March 1984 had offered assistance worth £68 million for 4,626 projects costing £217 million. The strong demand for loans under the small firms loan guarantee scheme (see p 103, 1981) has been maintained and, following a rise in the original allocation for the three-year pilot phase of the scheme from £150 million to £300 million in

the 1982 Budget, an additional £300 million was made available in the 1983 Budget. By 31 March 1984 a total of almost 14,300 guarantees had been issued in respect of £469 million of bank lending. The quality assurance support scheme is a contribution to the National Quality Campaign (see pp 173, 1983) and is designed to help small firms to improve their quality assurance procedures. At 31 March 1984, 24 applications involving projects costing £860,000 had been received and were under consideration. The certification scheme, which encourages the development of third-party certification systems, was introduced in April 1983. There are currently 130 potential certification proposals, a large number of which are being developed by the British Standards Institution. At the end of March 1984 some £70,000 had been paid under the scheme. The purpose of the private sector steel scheme (see p 235, 1983) was to promote the survival of a healthy and efficient private steel sector by assisting companies engaged in the manufacture of primary steel and cold finished steel products to undertake the rationalisation and restructuring of their operations. It was announced on 7 March 1984 that, as assistance already offered together with assistance likely to be offered in respect of projects under appraisal meant that the total amount allocated to the scheme (£34 million) was fully committed, the scheme would be closed and no payments made after 1985. The steel castings rationalisation scheme, introduced to reduce overcapacity in the industry, is largely financed by the industry itself but in view of the financial difficulties being experienced by the industry, assistance of more than £7 million has been given by the Government. The aims of the coal firing scheme (see p 133, 1982) are to reduce industry's consumption of oil and gas by switching to coal, to reduce unit costs through a reduction in energy costs and to assist equipment manufacturers by stimulating demand for their products. By 31 March 1984 assistance totalling £26 million had been offered for 248 projects costing £116 million. Under the offshore supplies interest relief grant scheme, grants worth £23 million were made during 1983-84.

Assistance to Shipbuilding

Payments amounting to £6 million were made to shipbuilders in 1983-84 under the cost escalation insurance scheme, bringing total payments made since the scheme began to £41 million. The final payments and receipts under the scheme were made during 1983-84 and at 31 March 1984 there were no outstanding liabilities.

During the year 1983-84 grants valued at £27 million were offered under the shipbuilding intervention fund (see p 123, 1977) to secure orders for 14 ships. This brought the total grants offered since the inception of the fund in 1977 to £277 million covering orders for 206 ships. Payments of £36 million were made in 1983-84, bringing total expenditure under the fund to £239 million.

Small Firms Activities

The annual report incorporates for the first time the report on small firms measures applicable to the English regions. In 1978 a business advisory facility called 'counselling' was introduced by the Department of Trade and Industry's Small Firms Service. Counselling is carried out through a network of 80 area offices by experienced businessmen and through 'clinics' arranged by the service at various locations throughout England. During 1983-84 the counselling operation underwent a considerable expansion and as a result the number of new counselling cases dealt with in England during the year increased to over 21,000 compared with just under 16,000 in 1982-83.

Financial assistance is provided to local enterprise agencies, business clubs and similar bodies which offer advice to businessmen. Under this scheme about 15 per cent of local enterprise agencies/business clubs were assisted in 1983-84. Grants amounting to almost £70,000 were also made to Business in the Community, an organisation that aids the development of the local enterprise agency movement by encouraging industry and commerce to become more involved on a local level with the economic, training, social and environmental needs of the communities in which they operate. Grants exceeding £120,000 were paid to fund seminars whose object was to heighten awareness among professional advisers of small firms' financing requirements and of government services to assist them. A small number of educational establishments and other bodies running projects designed to improve the support facilities available to small businesses were also given grants totalling £53,000.

Other Matters

The Invest in Britain Bureau (see pp 139-40, 1983) promotion programme for 1983-84 included 20 separate presentations, seminars overseas and inward missions. The year 1983 was the Bureau's most successful year since its establishment in 1977, in terms both of projects handled and of actual decisions to invest in Britain. During 1983-84 offers of assistance amounting to £72 million were made under the Industrial Development Act to foreign-owned companies for 208 projects costing £214 million (for the Bureau's promotion plans for 1985, see p 383).

National Accounts 1983

The British economy continued to grow in 1983, with gross domestic product (GDP) at factor cost increasing by over 3 per cent. The rise in the volume of domestic fixed investment was also maintained, with an increase of more than 4 per cent.

The National Accounts Blue Book,[1] published on 13 September, gives figures for national income, expenditure and output for each of the 11 years from 1973 to 1983, with summary tables going back to 1962.

[1] *United Kingdom National Accounts 1984 Edition.* Central Statistical Office. HMSO, £13·95. ISBN 0 11 620149 5.

Income

GDP at factor cost,[1] after allowing for inflation, increased by 3·3 per cent between 1982 and 1983, when it was 1·7 per cent above the previous peak, reached in 1979. GDP at current market prices (average estimate) rose by 8·5 per cent in 1983, while real gross national disposable income (average estimate at market prices)[2] increased by 3·3 per cent.

Factor Incomes

Total personal income (before providing for depreciation and stock appreciation) rose by 7·3 per cent at current prices between 1982 and 1983. Income from employment (mainly wages and salaries) increased by 7·5 per cent, income from self-employment (after deducting stock appreciation) by 6·8 per cent, rent, dividends and net interest by 3·4 per cent and current grants (including National Insurance benefits) from general government by 8·7 per cent. British taxes on personal income rose by 4·4 per cent and National Insurance and similar contributions by 13·8 per cent. Allowing for these deductions, total personal disposable income (before providing for depreciation, stock appreciation and additions to tax reserves) increased by 7·1 per cent. Real personal disposable income rose by 1·9 per cent. The saving ratio (saving as a percentage of personal disposable income) continued its fall, to 10·9 per cent, having been 12·9 per cent in 1982 and 15·2 per cent in 1980.

Total income of companies increased by 15·7 per cent between 1982 and 1983. British profits rose by 22·6 per cent before providing for stock appreciation and by 22·9 per cent after making this provision. Rent and non-trading income increased by 0·4 per cent and income from abroad by 20·9 per cent. Profits (net of stock appreciation) of North Sea oil companies rose by 23·2 per cent and those of other industrial and commercial companies by 22·1 per cent. The gross trading surplus of public corporations (net of stock appreciation) increased by 7·7 per cent.

Expenditure

Total domestic expenditure at market prices rose by 4·6 per cent in volume between 1982 and 1983. With exports increasing by just 1 per cent, however, the rise in total final expenditure was only 3·8 per cent. As imports increased by as much as 5·6 per cent, the rise in GDP was kept down to 3·3 per cent. After allowance for net property income from abroad, the increase in gross national product was 3·6 per cent. Domestic fixed investment rose by 4·2 per cent in real terms, final consumption of general government by 2·6 per cent and consumers' expenditure by 4·3 per cent.

[1]The total net value received by producers for the goods and services produced, after deduction of indirect taxes and similar charges. (GDP is here a simple average of the three estimates based on income, expenditure and output data.)

[2]This is a measure of the value of the goods and services available to the nation and is calculated by adjusting GDP at market prices for changes in both the terms of trade, which express the price of exports in relation to that of imports, and in net earnings and transfers from abroad.

Consumers' expenditure on durable goods increased by 16 per cent in volume in 1983. Expenditure on food and on alcoholic drink rose for the first time since 1979 but that on tobacco continued to fall.

Output

GDP at factor cost (output measure) rose in real terms by 2·9 per cent in 1983, with sharp differences between sectors. Output of agriculture, forestry and fishing fell by 4·2 per cent while that of energy and water supply increased by 5·5 per cent. Manufacturing output rose by 2·3 per cent, construction by 3·9 per cent and banking and financial services (including leasing) by 7·1 per cent.

Between 1973 and 1983 the share of manufacturing in GDP at factor cost (income estimate) fell from 31·7 per cent to 24 per cent: that of energy and water supply increased from 4·6 per cent to 11·4 per cent.

Investment

The rise of 4·2 per cent in the volume of domestic fixed investment in 1983 was made up of increases of 1·3 per cent, 8·2 per cent and 19·7 per cent in investment by the private sector, public corporations and general government respectively. Investment by general government recorded its first rise for ten years. Manufacturing investment (excluding expenditure on leased assets) fell for the fourth successive year, but by only 1·4 per cent, while investment by the services sector rose by 5·2 per cent. Expenditure on assets for financial leasing accounted for 5·2 per cent of total domestic fixed investment in 1983 compared with 1·6 per cent in 1975. In 1983 nearly two-fifths of leased assets were for use in manufacturing. The gross capital stock, valued at replacement cost, increased in volume by 2·1 per cent in 1983.

Shorter Notes

INWARD INVESTMENT

The Invest in Britain Bureau of the Department of Trade and Industry is to undertake a major promotion of inward investment in Britain in 1985.

Launching the 'Britain Means Business' campaign – which aims to develop a deeper and wider understanding of the many advantages of Britain for internationally mobile investment projects – the Minister of State for Industry, Mr Norman Lamont, said on 4 October that over the next two years Britain would have an unrivalled opportunity to increase the flow of successful projects of great benefit to the economy. This was due to a number of factors including the upturn in the British and world economies, Britain's high technological capability in many areas, its respected academic institutions and a well-developed infrastructure. Social and cultural attributes also made Britain attractive to investors from overseas.

The Government believed strongly in the benefits of inward investment and welcomed investors who were making a significant contribution

to the British economy by, for example, creating employment, introducing new technology, products, management styles and attitudes, injecting new capital investment and increasing exports – or substituting imports.

Drawing attention to Britain's 'enviable record of success in inward investment', Mr Lamont said that 1983 had been the best year for inward investment since the establishment of the Bureau in 1977 (see pp 180 and 382) and 1984 could be even better. Companies which had decided to invest in Britain in the last two years included Digital, Commodore, United Paper Mills (see p 180), Hitachi Maxell (see p 75, 1983), National Semiconductor, Monsanto, NEC Semiconductors and, largest of all, Nissan (see pp 67–8).

'Britain Means Business' would highlight the advantages of Britain as a base for business. The Department of Trade and Industry would give substantial financial backing to the project and informal promises of involvement from parts of the private sector had also been obtained. The territorial and regional promotional organisations for Scotland, Wales, Northern Ireland and the English regions would pool their expertise and work in a single co-ordinating committee together, the Government intended, with representatives of the private sector. Mr Lamont was 'determined that this investment of time, effort and money will bring forward great rewards in terms of greater employment opportunities and the future prosperity of Britain'.

Source: Department of Trade and Industry press notice, 4.10.84.

YOUTH TRAINING SCHEME REVIEW

The Manpower Services Commission has published a review of the Youth Training Scheme conducted by members of the Youth Training Board. The review has been accepted by the Commission and is being considered by the Government. The review group was asked to produce recommendations on a number of issues, including the size and scope of the scheme in 1985-86 in the context of its future development.

Since the scheme's establishment 11,000 programmes have been set up, at national and local level, covering a wide range of employers and involving local authorities and many voluntary organisations; more than 4,000 managing agents and some 1,500 sponsors are participating in the scheme, providing a range of training places across most occupations. Fifty-five area manpower boards have been set up, together with 55 accredited training centres and comprehensive monitoring systems. Places have been found to meet the needs of over 350,000 young people who joined the scheme in the first year (1983-84).

The review considers that work on the development of the content and standards of the scheme should take account of and contribute to what is happening elswhere in vocational education; as the scheme develops it should contribute to the wider New Training Initiative objectives (see pp 21-4, 1982), which aim to encourage more skill training, the removal of barriers to this training and training to standards.

In the first year of the scheme there were fewer entrants than expected, creating certain problems and hastening the need for decisions on the balance of provision for 1984-85. The review recommends that this balance in 1985-86 should remain broadly the same as in 1984-85, and that further work should be undertaken by the Commission to provide better information on how the needs of different types of young people are met by the different types of provision.

Athough the Youth Training Scheme will improve the employability of young people, it cannot guarantee them jobs, and many will also need periods of further training if they are to be equipped with the necessary technical skills. The review therefore emphasises the importance of developing better links with full-time vocational education and with occupational training developed in line with the wider objectives of the New Training Initiative.

Source: *Youth Training Scheme Review 1984*. A Report by the Youth Training Board to the Manpower Services Commission. Available from the Manpower Services Commission, Moorfoot, Sheffield S1 4PQ. £1·75. ISBN 0 86392 074 8.

SMALL ENGINEERING FIRMS INVESTMENT SCHEME

The first Small Engineering Firms Investment Scheme (SEFIS I – see p 132, 1982, and p 381), designed to stimulate investment by small engineering firms in certain types of advanced capital equipment, has, according to a report published on 11 September, clearly met its original objective[1]. The report examines in detail how the scheme was used, the type of machinery purchased and the effects in financial and productive terms. The conclusion is that significant results were achieved within a year of machinery being installed. Among the findings are: nearly 1,300 jobs have been created and 1,520 saved among the users of SEFIS I; users' annual output rose by £77 million; their annual exports increased by £1·4 million, with some of the extra output being used to reduce imports; each user's annual profits rose on average by £4,600; users invested £75 million in high-technology equipment; and 59 per cent of the machines purchased under SEFIS I were British-made.

In considering the impact on the economy as a whole, the report, while admitting that much of the investment and associated activity would have taken place anyway, draws attention to factors with a positive long-term effect. These include a 'knock-on' impact whereby engineering firms without grants invest in advanced equipment in order to remain competitive. The report also points out that the improved efficiency among users of SEFIS

[1]SEFIS II (see p 142, 1983) ran from March to September 1983, and p 381.

I will result in more competitive prices for British customers.

Sources: *Policy Study for the Department of Industry: The Small Engineering Firms Investment Scheme I,* prepared for the then Department of Industry by Research Associates in collaboration with Imbucon Management Consultants. Available from Research Associates, The Radfords, Stone, Staffordshire ST15 8DJ. £15; Department of Trade and Industry press notice, 11.9.84.

RESEARCH AND DEVELOPMENT

Expenditure on research and development in Britain is estimated to have risen from some £3,500 million in 1978, accounting for 2·1 per cent of gross domestic product (GDP), to £5,900 million in 1981 (2·3 per cent of GDP), according to an article in the August edition of *Economic Trends* which gives detailed statistics on research and development collected under two inquiries carried out by the Department of Trade and Industry. In real terms this represented an increase of about 3 per cent a year, compared with virtually no change in GDP over this period. The article says that the data should be treated cautiously, as the statistics are imprecise, but it appears that research and development accounts for broadly the same proportion of GDP as in the 1960s. Industry was the main performing sector, responsible for research and development worth nearly £3,800 million in 1981, followed by the government sector (£1,300 million), universities and further education establishments (£630 million) and other sectors (£160 million). Some £2,800 million of the total funds were supplied by the government sector, £2,500 million by industry and the remaining £570 million by other sectors. International comparisons for six countries in 1981 produced by the Organisation for Economic Co-operation and Development for gross research and development expenditure show that expenditure on the basis defined as a proportion of GDP was 2·4 per cent in Britain, the same as in Japan. This was slightly below the level in the United States and the Federal Republic of Germany (both 2·5 per cent) but above that in France (2 per cent) and Italy (1 per cent).

Source: *Economic Trends*. August 1984 edition. HMSO, £11·25. ISBN 0 11 620125 8.

ENERGY EFFICIENCY

An extension to the Government's industrial energy efficiency programme, involving plans for the next stage of its Energy Efficiency Demonstration Scheme, was announced by the Secretary of State for Energy, Mr Peter Walker, on 19 September, when a review of the scheme was also published.[1] This scheme is intended to promote the adoption of new or improved techniques for the more efficient use of energy. Selected innovative projects receive financial support through grants (usually of 25 per cent) from the Energy Efficiency Office in return for which the companies must allow the projects to be monitored by an independent consultant appointed by the Office. Results are then publicised widely to encourage other companies to adopt the techniques involved. The objective is to stimulate at least £5 of energy savings a year for every £1 provided by the Government.

Mr Walker said that, although British industrial energy efficiency had improved by 16 per cent between 1973 and 1981, a number of other countries had achieved greater improvements. Industry could save 20 per cent of its energy bill through investments that would pay for themselves quickly. The Energy Efficiency Office had been set up in 1983 (see p 386, 1983) to lead an intensive drive to make Britain as energy-efficient as the best of its competitors. Under the Energy Efficiency Demonstration Scheme over 250 projects, representing a total investment of £61 million, had been approved, with 180 installations in operation and 83 monitoring reports completed. The scheme had already reached its first target by stimulating energy savings worth £60 million a year by April 1984, and was well on line for its next target of annual savings of £120 million by December 1985. He was confident that the next phase of the programme could achieve its target: a final total of 530 projects intended to stimulate investment of £3,000 million, leading to energy savings worth £800 million a year. The next phase would represent a long-term financial commitment by the Government of £65 million, 'one of the soundest investments that could be made'.

Source: Energy Efficiency Office press notice, 19.9.84.

WIND ENERGY

Plans to construct Britain's largest wind-powered generator were announced on 3 October by Mr David Hunt, Parliamentary Under-Secretary of State for Energy. Mr Hunt said that the Department of Energy had recently reviewed its work on wind energy, which formed a very important part of the Government's research and development programme on renewable sources of energy. All its studies showed that wind power seemed to be 'one of the most attractive renewable sources for generating electricity'. Wind-powered generation could make an effective and economic contribution to electricity supply on islands not connected to the national electricity grid, but its possible contribution to mainland supplies was less certain and research would continue to assess the possibilities. Two machines built by the Wind Energy Group (comprising Taylor Woodrow Construction Ltd, British Aerospace Dynamics Group and GEC Power Engineering Ltd) and James Howden Ltd on Orkney had been very successful, and to carry

[1] *Energy Efficiency Demonstration Scheme: A Review*. Energy Efficiency Office. HMSO, £8·25. ISBN 0 11 411558 3.

the programme forward a new generator of 60-m[1] diameter with a generating capacity of about 3 megawatts (MW) would be built at Burgar Hill (Orkney). Design and construction of the machine would cost £10·5 million at April 1984 prices and it would be built under agreements between the Department of Energy and the North of Scotland Hydro-Electric Board, and between the Board and the Wind Energy Group, and should be completed by the second half of 1986. The machine was planned to operate at a nominal 34 revolutions per minute in wind speeds of between 7 and 27 m/sec delivering its rated output of 3 MW at speeds of 17 m/sec and above. Initial plans for the aerogenerator had been announced in 1981 (see p 57, 1981) but the design had been altered to incorporate the best wind-power technology available and to take account of problems experienced by machines in other countries.

Mr Hunt also mentioned other areas of the programme. Construction of a vertical axis wind turbine of 25-m diameter at Carmarthen Bay (Dyfed) by Vertical Axis Wind Turbines Ltd (a group including Sir Robert McAlpine and Sons Ltd, NEI Cranes Ltd and Engineering and Power Development Consultants Ltd) was expected to be completed in March 1985. Small turbines were expected to have a significant export market and the Department of Trade and Industry was supporting its National Engineering Laboratory's plans for a test site for small and medium machines in southern Scotland, while private sector development of medium-sized machines for export was making good progress. The Central Electricity Generating Board was also contributing to wind power technology. It had a separate aerogenerator at Carmarthen Bay and would build a larger machine at its Richborough power station site in Kent.

Source: Department of Energy press notice, 3.10.84.

NUCLEAR ENERGY RESEARCH AND DEVELOPMENT

Significant changes in the method of funding nuclear energy research and development programmes are recommended in a review of the United Kingdom Atomic Energy Authority (the main body carrying out research and development on nuclear energy in Britain). Announcing the main recommendations of the review on 3 October, the Secretary of State for Energy, Mr Peter Walker, said that he was studying the report and consulting interested bodies, and that he would announce his conclusions in due course.

The review confirms that a continuing research programme will be required in view of the Government's policy that Britain should have a significant nuclear power programme for the foreseeable future. It concludes that a body of independent expertise similar to the Authority in its present form (a non-departmental organisation under governmental control) will be needed. However, the review recommends that there should be an increase in the proportion of the Authority's funds supplied by the nuclear industry, including the electricity generating boards and British Nuclear Fuels plc. Work for the Department of Energy should be placed on a 'customer-contractor' basis, with each programme being the subject of a specific contract. This would be facilitated by requiring the Authority to operate under the 'trading fund' principle, so that all work would have to be accounted for on a fully commercial basis and additional discipline would be imposed through a requirement to meet financial objectives. It would also facilitate possible eventual privatisation of the Authority, although the review concludes that privatisation, while possible in principle, is not in practice a realistic option at present.

Source: Department of Energy press notice, 3.10.84.

BRITISH PROPOSAL FOR AN ACADEMY OF EUROPEAN SCIENTISTS

The establishment of an academy of European scientists which would encourage greater collaboration between European researchers in science and technology has been proposed by the British Government at a meeting of the Council of Europe. The suggestion was made by the Minister with responsibility for civil science at the Department of Education and Science, Mr Peter Brooke, at a meeting in Paris on 17 September of ministers responsible for research within the 21-member Council. The meeting was called to discuss the setting up of co-operative networks in science and technology within Europe, and ways in which to increase the mobility of researchers.

The initial membership of the academy, said Mr Brooke, might comprise all Europe's Nobel Prize Winners, who would form the basis of a subsequent expansion in membership to between 2,000 and 3,000 scientists who were active leaders in their fields of research. The academy's role might be very similar to that of the American National Academy of Sciences; its activities would include holding meetings and offering awards for the exchange of scientists.

Mr Brooke said that the growing world significance of science and technology was both an opportunity and a threat to Europe. It was an opportunity because of the excellence of European scientists and technologists, but at the same time a threat, because Europe's efforts were fragmented and its markets divided, and there was no sense in which it co-operated to realise its potential as the third economic force alongside the United States and Japan. European collaboration therefore needed to be encouraged by developing a feeling of European identity.

The lead in developing the British proposal, said Mr Brooke, should come from the European scientific community, but Britain would be happy to provide a framework for consultation. Although the academy might receive government funds for specific tasks, such as the exchange of scientists,

[1] 1 m = 3·281 ft.

it was hoped that its main funding could be derived from private sources.

Source: Department of Education and Science press notice, 2.10.84.

UNITY TRUST

Unity Trust, the trade union financial institution, is to launch a series of regional investment bonds to enable savers to take part in the industrial regeneration of their regions. The bonds will bear a commercial rate of interest and be marketed in association with local enterprise boards.

Unity Trust, licensed as a deposit-taker by the Bank of England, opened for business on 1 May in the City of London. It aims to alter the balance of investment in Britain by mobilising more effectively the financial resources of trade unions and their members. It will also give trade unions financial and economic advice and provide financial services to trade unionists. By 30 June, the closing date for founder-member subscriptions, Unity Trust had attracted almost £3·5 million from nearly 40 trade unions and other bodies.

Sources: Unity Trust press notices, 30.8.84, 30.4.84 and 9.7.84.

SOCIAL AND CULTURAL AFFAIRS

The Family

The strength of the family in British life and its important role in caring for the elderly and the disabled are among the main points of a report[1] published in September by the National Council of Voluntary Organisations. The report, which is based on the experience of 60 voluntary organisations working with families, seeks to counter certain commonly held beliefs about family life, for example, that the family is falling apart, that young people are delinquents, that working women neglect their children, and that the elderly are no longer respected.

The National Council for Voluntary Organisations is an independent voluntary agency which provides professional advisory services to voluntary organisations, protects their interests and promotes new social action.

The report says that in spite of a large increase in the numbers of people aged 65 and over, the vast majority of elderly people still lead active lives in the community and are cared for by their family when they require help. Over half of elderly people are visited by relatives at least once a week, and 40 per cent are helped with such tasks as shopping, housework and laundry. If only 1 per cent of families caring for an elderly person were to refuse to continue doing so and asked for their dependant to be taken into residential care, the cost to the State of health care for the elderly would increase by 20 per cent. Similarly, eight out of ten severely handicapped children aged under 15 live with their families, as do four out of ten severely handicapped adults. Most family support is provided by women, who often make large sacrifices in order to provide it. Carers, says the report, need more financial and practical support if they are to continue to carry out this role.

Turning to the belief that small children suffer if their mothers go out to work, the report says that this is not proven; the decision on whether or not to work depends on the particular needs of each mother and child and the circumstances at home and at work. More than 50 per cent of women with dependent children are now in paid employment. Often, however, young mothers do not enjoy a real choice of whether or not to work; some mothers enter the labour market because the benefit system does not provide sufficient money to cover their basic needs, while others who wish to work stay at home because of insufficient child-care arrangements and flexible job opportunities. For women who wish to work, the report continues, better child-care facilities, such as good workplace nurseries, community nurseries and nursery schools, and better job opportunities are needed. For mothers who prefer to stay at home, more efficent support services such as health visitors and pre-school playgroups and increased child allowances are required.

The idea that one-parent families are headed mainly by young unmarried mothers is false, the report says. Although women head 90 per cent of such families, only 16 per cent are single while 34 per cent are divorced, 22 per cent separated and 17 per cent widowed.

Marriage is still popular and over 90 per cent of women marry at some point in their lives, compared with about 70 per cent in the middle of the Victorian era. Some three out of ten first marriages and about four in ten second marriages end in divorce. Though easier to obtain than it used to be, divorce is still a very difficult process and often leaves wives and husbands poorer. As many as half of all divorces could be avoided through better counselling services, says the report, and the Government should encourage and support conciliation services which help separating and divorcing couples to settle their disputes outside the court room.

The idea that young people have no respect for their parents and that their behaviour is getting worse is not true. Most young people are law-abiding and get on well with their parents. Unemployment and the lack of relevant education and training are seen by the young as the main problems which they face. There is a serious problem of addiction to hard drugs, which requires more counselling and treatment centres for young drug addicts, and a rise in crime, which requires greater emphasis on intermediate treatment[1] for young offenders and young people at risk.

Illness, unemployment and bad housing are among the main reasons for 'problem' families, says the report. Information and support services can help such families to re-unite and sometimes prevent the family reaching a crisis point. Separating children from their families should be the last resort when every other possibility has been exhausted.

[1]*Ask the Family: Shattering the Myths about Family Life.* Bedford Square Press. £2·95. ISBN 0 7199 1123 0.

[1]Intermediate treatment is a community-based method of treating young offenders which enables them to improve their skills and develop new interests and a sense of social responsibility through community and voluntary work.

Shorter Notes

MOTHER TONGUE TEACHING

The report of an inquiry into mother tongue teaching in four local education authority areas (Ealing, the Inner London Education Authority, Manchester and Walsall) was published by Her Majesty's Inspectorate of Education in September. The term 'mother tongue' is used to mean a language regularly used in a child's home or community. The inquiry was carried out in 1982 into provision made in schools and by the minority communities themselves, the authorities chosen all serving linguistically and culturally mixed communities. Following a European Community directive on the subject in 1977, the Department of Education and Science issued a circular stating that local education authorities should explore ways in which mother tongue teaching might be provided, either during or outside school hours, but that authorities were not required to give such tuition to all individuals as of right.

The report points out that, as a result of immigration during the last 25 years, there are now in England a substantial number of areas with multilingual populations. For a number of years local education authorities have in varying degrees supported and provided the teaching of minority languages and mother tongues, either within the school system or in the community by means of voluntary or self-help schemes, or both. It says that, although such provision appears to be increasing, there is not agreement that it should and, if it should, in what form or at what level. Groups representing ethnic minorities frequently express the need for the maintenance of their children's first languages to ensure continuity of relationships within families and to keep alive cultural traditions. Some believe that this is the responsibility of the schools, others that classes should be community-organised, while others consider that there should be joint provision between school and community. Teachers and local education authorities are concerned about the possible educational consequences of mother tongue teaching, some suggesting that the use of the children's first language in school would inhibit their progress in English and be divisive, while others argue that both learning and social integration in school may be enhanced if recognition is given to the knowledge and skills of all pupils.

The reasons why authorities provide or support mother tongue teaching are defined as: to meet children's educational needs; to add to the range of educational opportunity; and to promote social and cultural development. The report describes and comments upon the provision made in the authorities visited, the organisation and curriculum in schools and the work done in classes provided by the communities themselves. It found that 11 languages were taught in secondary schools – Arabic, Bengali, Cantonese, Greek, Gujerati, Hindi, Italian, Punjabi, Spanish, Turkish and Urdu – while community groups taught eight – Bengali, Cantonese, Gujerati, Polish, Punjabi, Spanish, Turkish and Urdu. (A total of 147 languages are spoken by pupils in the Inner London Education Authority area.)

In conclusion the report states that the present initiatives are at an early and variable stage of development and that its findings are tentative. It sees the need, however, for a review of the subject if decisions about future developments are to be made on well-considered educational and practical grounds.

Source: *Mother Tongue Teaching in School and Community*. An HMI inquiry into four LEAs. HMSO, £1·50. ISBN 0 11 270398 4.

HEALTH CARE OF ETHNIC MINORITIES

A campaign to encourage Asian mothers to make more use of antenatal care and an information centre for sickle cell disease were both opened in September as measures to promote the health of certain ethnic minority groups.

The campaign for Asian mothers, which is aimed at improving maternal health and reducing perinatal and neonatal deaths, was launched by Princess Anne, in her capacity as President of the Save the Children Fund, and the Minister for Health, Mr Kenneth Clarke. The Government is making £1·25 million available over three years; this will include the cost of training and employing 80 special 'linkworkers' to make sure the campaign reaches Asian mothers. Opening the campaign, Mr Clarke said it was government policy for local authorities to give priority to services for mothers and young babies. Health authorities often had difficulty in assessing the needs of ethnic minorities without practical help and the Government wanted to build on the success of the 'Stop Rickets' campaign [launched in 1981 in partnership with the Save the Children Fund] which was designed to improve the health of the Asian community.

The campaign was needed, said Mr Clarke, because some Asian women did not realise the need for antenatal care and many did not understand English and did not get the full benefit of the advice offered. Some Asian communities had a much higher rate of perinatal and neonatal mortality than the population as a whole. This would be the first time linkworkers had been used on such a large scale; they would come from local Asian communities and would work with medical staff and Asian mothers. They would be supported by local health education campaigns using Asian newspapers, magazines, and radio and television programmes as well as through talks at places of worship and social centres.

The Sickle Cell Information Centre was opened by Sir George Young, Parliamentary Under-Secretary of State, Department of the Environment, in the London Borough of Lambeth. It is one of several hundred projects being backed by the inner city partnership as part of the Government's Urban Programme. Sickle cell disease is a genetic blood disorder affecting people of African and West Indian origin and, in severe form, may cause death. The Centre's aims are to aid sufferers of the disease, to educate health workers, community leaders and the general public about it,

and to investigate its incidence. The Centre also hopes to become the focal point in Lambeth for advice and education about other conditions particularly affecting members of the ethnic minorities.

Sources: Department of Health and Social Security press release, 12.9.84; Department of the Environment press release, 11.9.84.

EXTENSION OF THE OPPORTUNITIES FOR VOLUNTEERING SCHEME

Further funding of £5 million for the Government's Opportunities for Volunteering Scheme has been announced by the Secretary of State for Social Services, Mr Norman Fowler, bringing the total so far invested to over £17 million.

The scheme, which began in May 1982, gives unemployed people the opportunity to do voluntary work in the fields of health and the personal social services. The projects supported must be run by a voluntary organisation or group and help to meet the needs of people such as the elderly, the physically and mentally handicapped, and isolated young mothers and their children. The system is administered by a network of 16 national voluntary organisations including Age Concern, Dr Barnardo's and MIND (National Association for Mental Health). Funding was increased in February 1983 (see pp 112-13, 1983) to £5 million a year, and the new resources will support the scheme for the year 1985-86.

Announcing the increased funding during a speech in Nottingham on 5 October, Mr Fowler said that there were valuable resources of talent, effort and commitment in any community which were an essential counterpart to the services provided by the State. These resources should be encouraged and developed not primarily to reduce the burdens on the State but because it was for the good of the community at large that its members should feel directly involved in caring for those in need. Although the vast majority of caring was already undertaken by families and friends (see p 388), the Government felt that this spirit of caring should be encouraged over a wider area. The Government's commitment to the voluntary sector had been shown by the increase in financial aid given to voluntary organisations in general: total grants by the Department of Health and Social Security had increased from £10 million in 1979-80 to about £34 million in 1984-85. Moreover, the range of activities supported had been broadened; especially important was the help which the Government gave to people, particularly the unemployed, to join in voluntary work. The opportunity to take part in such work could be both a way of restoring their faith in themselves and of using their time and skills to the benefit of others. Since its inception, the Opportunities for Volunteering Scheme had supported over 1,000 different projects involving 34,000 volunteers. The projects enabled volunteers to contribute to the better care of patients in hospitals or the community; working with long-stay patients, visiting elderly people living alone, or helping those living in community homes.

Source: Department of Health and Social Security press release, 5.10.84.

DOCUMENTATION

Government and Administration

British Government Information Services. COI, No 64/84.

Non-Solicitor Conveyancers – Competence and Consumer Protection: The First Report of the Conveyancing Committee. The report of the Committee which was set up by the Government to consider the implications of non-solicitors being permitted to undertake conveyancing for reward. The report's central recommendation is the establishment of a new council for licensed conveyancers to superintend non-solicitor conveyancers. HMSO, £6·30. ISBN 0 11 390637 4.

External Affairs and Defence

Britain and NATO. COI, No 58/84. (French and German editions in preparation.)

A Draft Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Future of Hong Kong (see p 368). Cmnd 9352. HMSO, £3·60. ISBN 0 10 193520 X.

Commonwealth Development Finance Company Limited. Annual Report and Accounts. Available free from CDFC, Colechurch House, 1 London Bridge Walk, London SE1 2SS.

Economic and Scientific Affairs

United Kingdom National Accounts 1984 Edition (see p 382). Central Statistical Office. HMSO, £13·95. ISBN 0 11 620149 5.

Accounts of the Audit Commission for Local Authorities in England and Wales for the year ended March 31, 1984; together with the report of the Comptroller and Auditor-General thereon. HMSO, £2·80. ISBN 0 10 260584 X.

The Impact on Local Authorities' Economy, Efficiency and Effectiveness of the Block Grant Distribution System: A Report by the Audit Commission. HMSO, £4. ISBN 0 11 701266 1.

Bankruptcy: General Annual Report for the Year 1983. Department of Trade and Industry. HMSO, £3·30. ISBN 0 11 513755 6.

British Invisible Exports Council. Annual Report 1983-84. Available free from the Council, 14 Austin Friars, London EC2N 2HE.

Census 1981: Qualified Manpower in Great Britain. HMSO, £14·40. ISBN 0 11 690960 9.

Industrial Development Act 1982: Annual Report 1983-84 (see p 380). HMSO, £8. ISBN 0 10 260484 3.

Policy Study for the Department of Industry: The Small Engineering Firms Investment Scheme I (see p 384). Prepared for the then Department of Industry by Research Associates in collaboration with Imbucon Management Consultants. Available from Research Associates, The Radfords, Stone, Staffordshire ST15 8DJ. £15.

The New Co-operatives: A Directory and Resource Guide. There were 911 co-operatives in Britain in June 1984: 128 were engaged in manufacturing, 562 in services and 221 in wholesale or retail distribution. Available from the Co-operative Development Agency, Broadmead House, 21 Panton Street, London SW1Y 4DR. £4. ISBN 0 906737 05 2.

British Tourist Authority. Strategy for Growth 1984-88. Available from the BTA, 239 Old Marylebone Road, London NW1 5QT. £2·50. ISBN 0 7095 2156 1.

British Tourist Authority. Annual Report, year ended 31 March 1984. There was a return to growth both in the number of overseas visitors to Britain and in foreign currency earnings in 1983. Expenditure by overseas visitors increased by 15 per cent to £3,655 million; there was a 34 per cent increase in visitors from the United States. Spending by Britons on domestic holidays was £3,625 million, while that on travelling abroad for all purposes was £4,054 million. Available from the BTA, 239 Old Marylebone Road, London NW1 5QT. £2·75. ISBN 0 7095 2191 X.

Energy Efficiency Demonstration Scheme: A Review (see p 385). Energy Efficiency Office. HMSO, £8·25. ISBN 0 11 411558 3.

Radioactive Waste Management in Britain. (Reproduced from *Survey of Current Affairs*.) COI, No 248/84.

United Kingdom Atomic Energy Authority Annual Report 1983-84. UKAEA. Available from HMSO, £3. ISBN 0 7058 0609 X.

Airline Competition Policy (see p 378). Cmnd 9366. Department of Transport. HMSO, £1·75. ISBN 0 10 193660 5.

Port Statistics 1983. Department of Transport and the British Ports Association. Available from the British Ports Association, Commonwealth House, 1-19 New Oxford Street, London WC1A 1DZ. £21.

The Post Office Letter Post Service: A Report on the Letter Post Service of the Post Office in the Head Post Office Areas of Glasgow, Belfast and Cardiff and in the numbered London Postal Districts. Monopolies and Mergers Commission. Cmnd 9332. HMSO, £9·90. ISBN 0 10 193320 7.

Acid Rain. Fourth Report from the House of Commons Environment Committee. Vol II: Minutes of Evidence. HMSO, £12·25. ISBN 0 10 008764 7. (For details of Vol I see p 359.)

Acid Rain. Watt Committee on Energy, report No 14. Available from the Watt Committee on Energy Ltd, 18 Adam Street, London WC2N 6AH. £14·80. ISBN 0 946392 15 3.

Social and Cultural Affairs

Community in Social Policy, by Peter Willmott and David Thomas. A discussion paper from the Policy Studies Institute which reviews the use of concepts of community, draws conclusions about their relevance to policy and suggests what forms of further inquiry may be appropriate. Policy Studies Institute, 1-2 Castle Lane, London SW1E 6DR. £1·50. ISBN 0 85374 243 X.

Ask the Family: Shattering the Myths about Family Life (see p 388). Published for the National Council for Voluntary Organisations by Bedford Square Press. £2·95. ISBN 0 7199 1123 0.

Criminal Statistics in England and Wales 1983. Cmnd 9349. HMSO, £12·30. ISBN 0 10 193490 4.

Tougher Regimes in Detention Centres: Report of an Evaluation by the Young Offender Psychology Unit [of the Prison Department], by David Thornton and others. HMSO, £6·50. ISBN 0 11 340796 3.

Health Education Council Annual Report 1983-84. Available free from the Council, 78 New Oxford Street, London WC1A 1AH.

School Teacher Numbers and Deployment in the Longer Term. A discussion paper from the Department of Education and Science, which says that a further improvement in the ratio of school teachers to pupils may be justified in the next few years, but that there is also a need to use existing staff more effectively. Over the past ten years there has been a substantial improvement in staffing levels in schools. The overall teacher-pupil ratio in England fell from 21·6 pupils per teacher in January 1972 to 17·8 to 1 in January 1983. Available free from Teachers 2 Branch, Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

The Organisation and Content of the 5-16 Curriculum. A discussion paper by the Department of Education and Science which proposes that the 11-16 curriculum for all pupils should contain in addition to religious education, English (including English literature), mathematics, science, a 'worthwhile offering' of the humanities, aesthetic subjects, practical subjects, and physical education. The curriculum for most pupils should contain a foreign language. Available free from the Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

English from 5 to 16 – Curriculum Matters 1. The first in a series of discussion papers from Her Majesty's Inspectorate on the aims and objectives of a variety of curriculum subjects in schools. HMSO, £1·50. ISBN 0 11 270472 7.

Mother Tongue Teaching in School and Community. An HMI inquiry into four LEAs (see p 389). HMSO, £1·50. ISBN 0 11 270398 4.

A Strategy for Higher Education into the 1990s: The University Grants Committee's Advice. A report produced by the University Grants Committee in response to a request from the Secretary of State for Education and Science. The report recommends an increase of 40,000 in higher education by the end of the 1980s, maintaining the real value of the recurrent grant, an immediate 25 per cent rise in equipment grant and additional resources for science and technology, continuing education and links between universities and industry. It says that the principle on access to higher education formulated by the Robbins Committee in 1963 should be extended to make courses available 'for all those who are able to benefit from them and who wish to do so'. HMSO, £2·95. ISBN 0 11 270551 0.

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Printed in the UK for HMSO

Dd 8334291 R 0029 OCTOBER/84

Annual subscription including indices and postage £21

Dd. 8334291 C10 OCTOBER/1984
ISBN 0 11 727224 8 Vol. 14 No. 10
ISSN 0039—6214